

**AUSNICO LIMITED**

**ABN: 84 122 957 322**

**ANNUAL REPORT 2010**



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## CORPORATE INFORMATION

### DIRECTORS

Brian Moller  
Nicholas Mather  
Vincent Mascolo

### COMPANY SECRETARY

Karl Schlobohm

### REGISTERED OFFICE AND PRINCIPAL BUSINESS OFFICE

AusNiCo Ltd  
Level 5,  
60 Edward Street  
Brisbane QLD 4000  
Phone: + 61 7 3303 0611  
Fax: +61 7 3303 0681

### SOLICITORS

Hopgood Ganim  
Level 8, Waterfront Place  
1 Eagle Street  
Brisbane QLD 4000

### SHARE REGISTER

Link Market Services Ltd  
Level 15, 324 Queen Street  
Brisbane QLD 4000  
Phone: 1300 554 474

### AUDITORS

BDO (Qld)  
Level 18, 300 Queen Street  
Brisbane QLD 4000  
Phone: +61 7 3237 5999

### COUNTRY OF INCORPORATION

Australia

### STOCK EXCHANGE LISTING

Australian Securities Exchange Ltd  
ASX Code: ANW

### INTERNET ADDRESS

[www.ausnico.com.au](http://www.ausnico.com.au)

### AUSTRALIAN BUSINESS NUMBER

ABN 84 122 957 322

## CHAIRMAN'S REPORT

On behalf of the Directors, it is my pleasure to be writing to all shareholders of AusNiCo as the Company moves towards a stock exchange listing.

The Company name "AusNiCo" is an abbreviation of Australian Nickel and Cobalt. AusNiCo has discovered completely new occurrences of nickel sulphide mineralisation in Eastern Mainland Australia at grades and widths that have been profitably mined in similar geological settings at the Avebury nickel mine near Zeehan, Tasmania and at the Aguablanca mine near Seville, Spain. The companies that discovered these two nickel mines have been taken over by major mining companies which resulted in substantial returns to the original shareholders.

The Company has a strong ground position, with over 700km<sup>2</sup> of 100%-owned exploration tenements in a historic mining province in southeast Queensland, Australia that is heavily mineralised in base metals, nickel and gold.

Nickel is an important modern metal because it is a critical ingredient in stainless steel, batteries and electronics - all with strongly increasing demand, especially in modern industrialising countries like China and India. Consumption of nickel metal remains strong, particularly in the stainless steel sector but discovery of low-cost sources of nickel, namely, nickel sulphides has not nearly kept pace with the growing nickel demand. As a result, industry is turning to nickel oxide occurrences for its raw material. AusNiCo is fortunate to have known occurrences of extensive, thick, low grade nickel oxide occurrences within its tenements - possibly with nickel sulphides at depth beneath them.

AusNiCo tenements are located in well known historic mining areas in Southeast Queensland - an area of substantial industrial growth potential and excellent infrastructure.

This advantage, combined with the skills and experience of the management team and the Board provides shareholders with a ground floor position in a new nickel business right at the discovery stage, which is in progress now.

I also wish to thank my fellow directors, our staff and consultants for their patience and hard work in the lead-up to the public listing of the Company.

I look forward to bringing you further news once the Company's exploration program is ramped up over the next twelve months.

Yours sincerely



Brian Moller  
Chairman

## REVIEW OF OPERATIONS

AusNiCo is an Australian-based exploration company focused on the discovery and development of nickel-cobalt mineral deposits in South East Queensland.

AusNiCo was incorporated on 1 December 2006 as a wholly owned subsidiary of ASX-listed D'Aguilar. In line with D'Aguilar's stated objective to foster growth within its subsidiaries and in order to provide working capital, \$2,270,000 of seed capital was raised by AusNiCo from May 2007 to December 2008, thereby reducing D'Aguilar's interest in AusNiCo to approximately 80%.

AusNiCo lodged its prospectus with ASIC on 4 August 2010 for the purposes of raising \$4,000,000 for the furtherance of its corporate and exploration objectives and listing on the ASX.

### Discoveries and Initial Exploration Results

AusNiCo holds a 100% interest in twelve (12) mineral tenements in southeast Queensland representing over 700km<sup>2</sup> of terrane with strong Nickel Cobalt potential, as well as applications for two (2) further mineral tenements, upon which AusNiCo proposes to further explore and, subject to receipt of successful exploration results and economic conditions, develop towards production.

From the commencement of exploration by the Company in 2007 to date, AusNiCo has discovered potentially economic widths and grades of:

1. **Nickel-cobalt sulphides** at least 50 metres thick at the Pembroke prospect (including 4.2 m at 1.1% Ni and 0.05% Co).
2. **Copper-gold** up to 20 metres thick also at the Pembroke prospect (average of 0.5% Cu and 1.5g/t Au).
3. **Copper-silver** up to 14 metres thick at Silver Valley prospect (including 8m at 1.5% Cu and 107g/t Ag).
4. **Nickel-cobalt mineralisation** up to 96 metres thick at Mount Cobalt and drill holes stopping in mineralisation at the Ridley prospect (including 18m at 0.37% Co and 0.5% Ni).
5. **High grade cobalt lode** at Mount Cobalt mine (selected grab samples up to 2% Co with historic grades up to 6% Co).
6. **Platinum Group Metals (PGM) geochemical anomalies** at Boyne and Kandanga. At Boyne North a Pt anomalous area of 450m by 200m has been delineated with soils averaging over 10 ppb (coincident with Au and Cu soil anomalies). At Boyne South elevated Cr, Ni and Pt are associated with multi-phased basic and ultrabasic intrusives in the vicinity of the Mimosa Chromite deposit (historic samples to 36% Cr). At Kandanga historic soil samples report >1ppm Pt.

AusNiCo has discovered completely new occurrences of nickel sulphide mineralisation in Eastern Mainland Australia at grades and widths that have been profitably mined in similar geological settings at the Avebury nickel mine near Zeehan, Tasmania and at the Aguablanca mine near Seville, Spain.

AusNiCo has discovered nickel oxide occurrences within its tenements - possibly with nickel sulphide occurrences at depth beneath them. It holds significant tenements with encouraging mineralisation between Brisbane and Gladstone in Southeast Queensland - an area of substantial industrial growth, especially in mineral processing, and excellent infrastructure facilities.

### Corporate Objectives

The overall objective of the Company is to create shareholder value through the discovery and development of mineral deposits with a key focus on nickel-cobalt resources and related forms of mineralisation, copper-gold, copper-silver, cobalt, platinum group precious metals and gold.

The following matters are relevant to the achievement of this objective:

- AusNiCo's corporate strategy is to demonstrate the reliability of the New Nickel model and secure additional exploration projects by new tenement applications and farm-in arrangements.
- The New Nickel model will be pursued using systematic exploration techniques previously tested successfully by AusNiCo.
- Management will continually monitor and identify additional target projects with the potential for new nickel sulphide exploration opportunities.
- The exploration and acquisition focus will be on the identification of nickel sulphide mineralisation with potential to yield over 10 million tonnes at a grade in excess of 0.8% nickel and oxide nickel mineralisation with potential to yield over 15 million tonnes at a grade over 0.5% nickel.
- The Company will continue to maximise the proportion of the total budget that is spent on the exploration and evaluation of its discoveries.
- The Company will continually aim to maximise its "first mover" advantage in the New Nickel strategy and continue its project focus on nickel-cobalt opportunities.

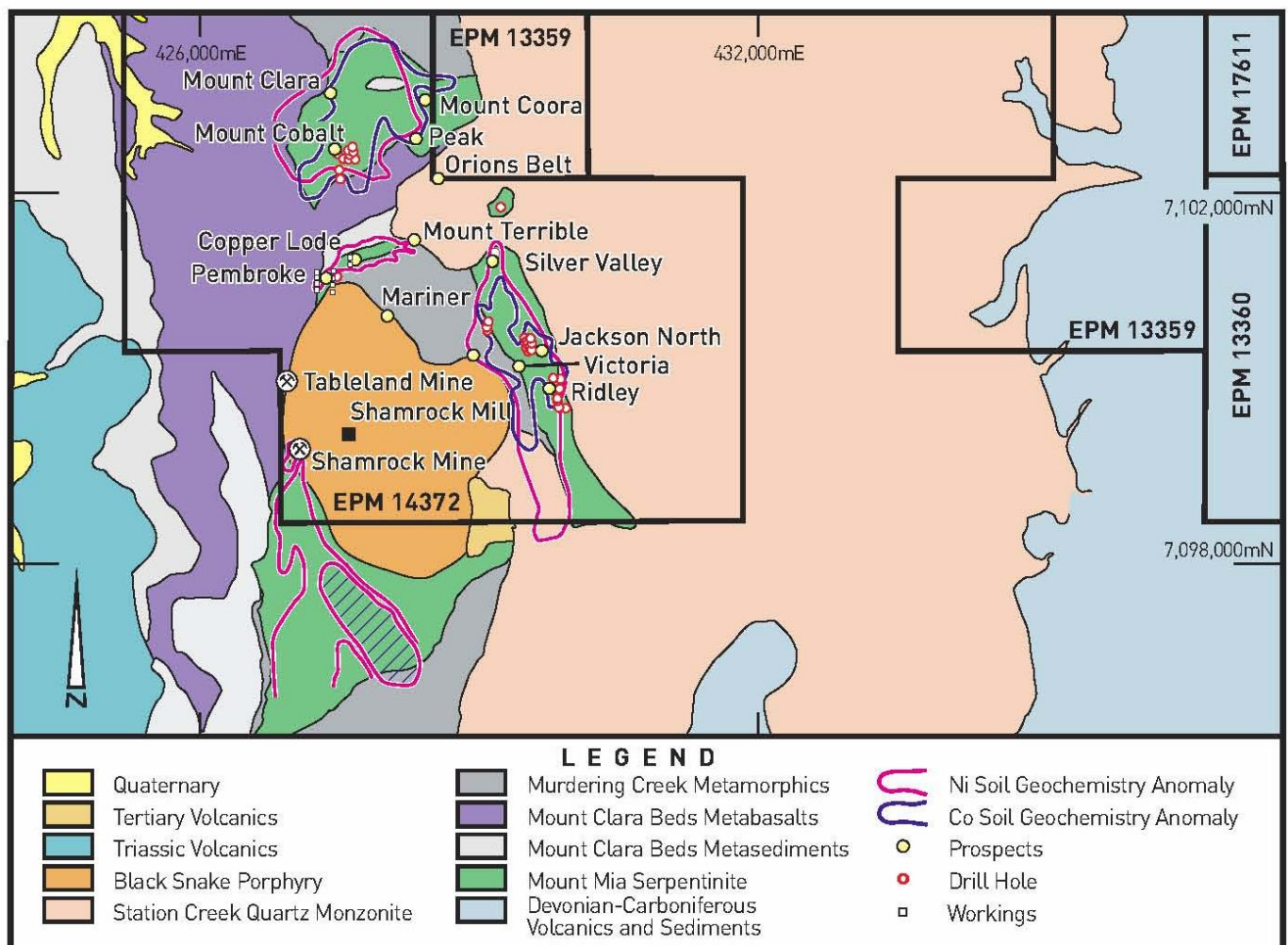
### Key Project Attributes

The key technical attributes of the New Nickel style of mineralisation, all of which are contained within AusNiCo projects are as follows:

- Disseminated nickel sulphide mineralisation in greenstones and serpentinites marginal and above granite / granodiorite intrusions. The mineralisation may be accompanied by complex nickel, copper, silver, lead and zinc veins and secondary accumulations in shears.
- Strong relationships between nickel minerals and zinc anomalies, magnetite and tourmaline mineralisation also appears to be frequent. These features are related to the fluid flow and nickel remobilisation adjacent to the intrusions.
- High background nickel copper concentrations within the host greenstone. AusNiCo believes this to be indicative of nickel copper rich progenitor ultrabasic source rocks (komatites).
- Presence of major geological structures, which serve as conduits for mineralising fluids from intrusive bodies.

### Main Company Projects

AusNiCo is Australia's most recent discoverer of ore grade nickel sulphide mineralisation at its Pembroke Prospect on the Black Snake Plateau, 30km south of Kilkivan in southeast Queensland during mid 2008.



**Figure 1:** Location of AusNiCo's tenements, Pembroke & Silver Valley Discoveries at Black Snake Plateau, 220 km northwest of Brisbane

## Exploration Strategy

The Company's detailed exploration strategy includes the following elements:

- **Magnetics** - used to identify greenstone belts and intrusives which evidence may vary from existing mapping.
- **Soil geochemistry** - identifies strongly nickeliferous zones in prospective terranes, using stream sediment surveys and soil geochemistry grids.
- **Reconnaissance Drilling Programmes** - identification of zones of greater than 5000ppm (0.5%) nickel.
- **Deeper Core Drilling** - identification of sulphides.

AusNiCo has a proven expertise to discover the newly recognised "Paleozoic-Aged" nickel sulphide mineralisation that has been profitably mined in similar geological settings at the Avebury nickel mine near Zeehan, Tasmania and at the Aguablanca mine near Seville, Spain. The Company will seek to retain this expertise and apply it diligently throughout its tenements and throughout other districts that show potential.

The Company's tenements have been carefully assembled since mid 2007 to cover the prospective geology for these deposit types in southeast Queensland. Should a new nickel province exist in this region, AusNiCo Directors believe that it is most likely contained within AusNiCo tenements.

### Pembroke Nickel Sulphide Discovery

AusNiCo has discovered significant new ore-grade nickel-cobalt sulphides and copper-gold mineralisation zones at the Pembroke prospect on the Black Snake Plateau, 30km south of Kilkivan in Southeast Queensland. Drillhole PEM 2 at Pembroke has intersected 4 metres of fresh nickel sulphides grading 1.1% nickel and 525 ppm (0.05%) cobalt within a large 50 metre-wide zone of significant nickel sulphide mineralisation averaging 0.34% nickel. The bottom of the hole was still in this nickel mineralisation indicating that the mineralised zone may be even thicker than intersected in the drill hole.

The copper-gold zone of 20 metres averaging 0.48% copper, 1.5 g/t gold that occurs above the nickel sulphides in hole PEM 2 is typical of the copper-nickel zonation of the entire Black Snake Plateau district.

### Silver Valley Copper-Silver Sulphide Discovery

AusNiCo has also discovered high-grade copper-silver sulphides at the Silver Valley prospect located two kilometres east of Pembroke as announced by D'Aguilar in its ASX release of 2 June 2008. The first drillhole at Silver Valley, SG1 intersected 14 metres at a grade of 1.2% copper and 87g/t (2.8 ounces per tonne) of silver in primary sulphide mineralisation. The potential for high grade extensions to considerable depths is therefore encouraging. The discontinuous 5km long, 500m wide soil geochemical anomaly at Silver Valley suggests significant potential exists for a major mineralised system. AusNiCo intends to conduct further detailed exploration at this zone entry to identify a major ore body.

### Nickel Province

Nickel mineralisation discovered within AusNiCo's extensive tenements in South East Queensland show potential for a new nickel province more than 70 kilometres long. Figure 2 shows the geology south of Kilkivan. The greenstone is predominantly a "serpentinite" altered peridotite rock, which is a potential host rock for nickel, copper, gold, cobalt and platinum group metals mineralisation.

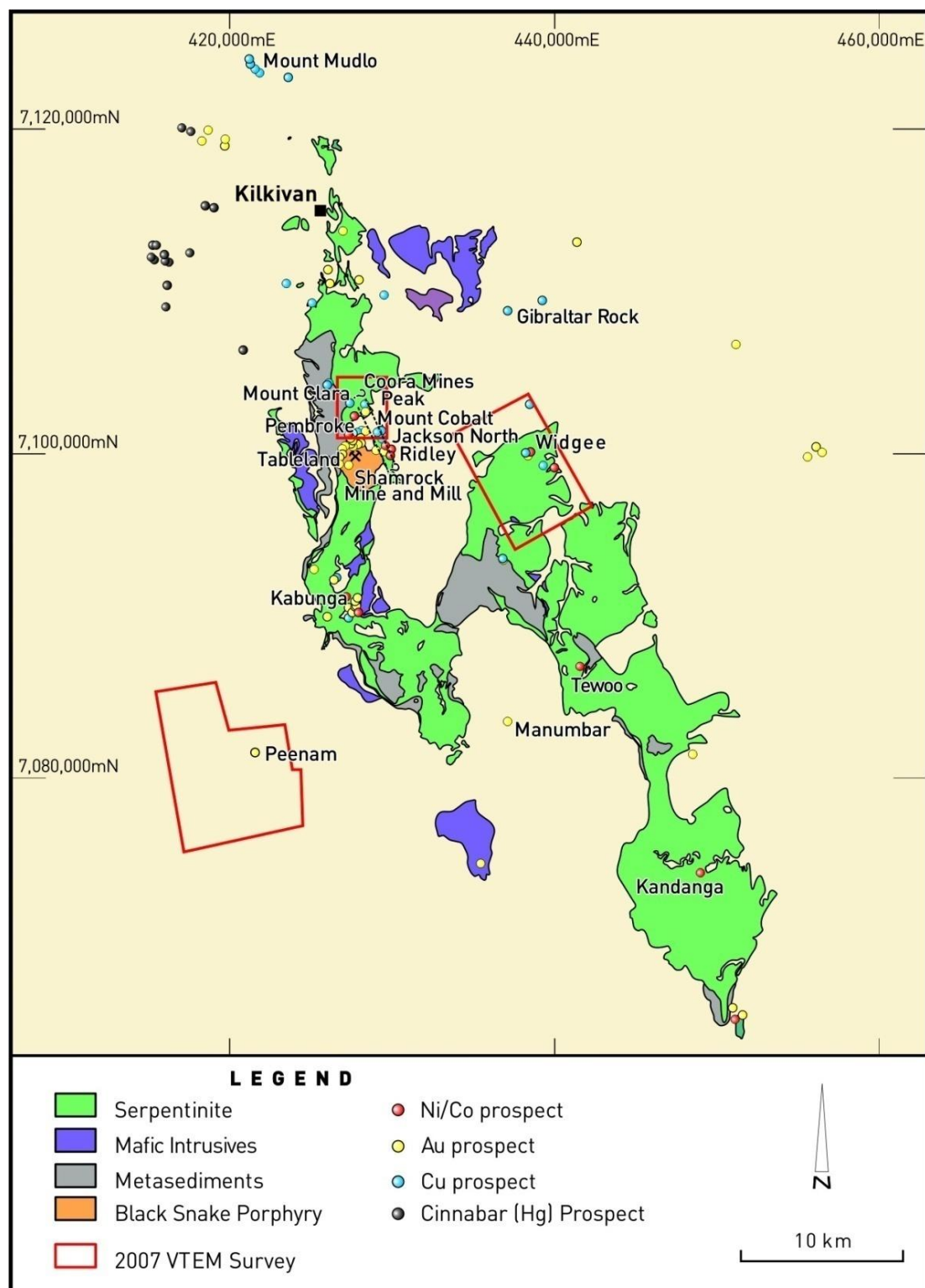
Only a small part of this greenstone serpentinite belt has been explored in modern times for nickel - see zones marked as dotted black lines between Ridley and Mt Cobalt in Figure 2.

Geologically, such serpentinite or altered peridotite rocks are prospective for nickel, cobalt, copper, gold and platinum group metals. AusNiCo's exploration has identified targets for all these metals within the Company's tenements.

### Mt Cobalt - Mt Clara Nickel Oxide and Nickel-Copper Sulphide Prospect

At Mt Cobalt, a broad zone of nickel mineralisation has been identified above 0.3% Ni (open ended) over an area 250m long by 200m wide and more than 115m deep. The most recent drilling at Mt Cobalt targeted significant extensions to the nickel oxide mineralised zone and significant nickel values have been intersected in all drill holes.

The drilling has confirmed that the Mt Cobalt nickel and cobalt deposit remains open to the north at hole COB 15 which intersected 82m @ 0.58% Ni and 0.015% Co from surface and dips northwards towards a magnetic high anomaly which is interpreted by geologists to be a nickel sulphide target. This magnetic feature appears to underlie the historic Mount Clara copper mines.

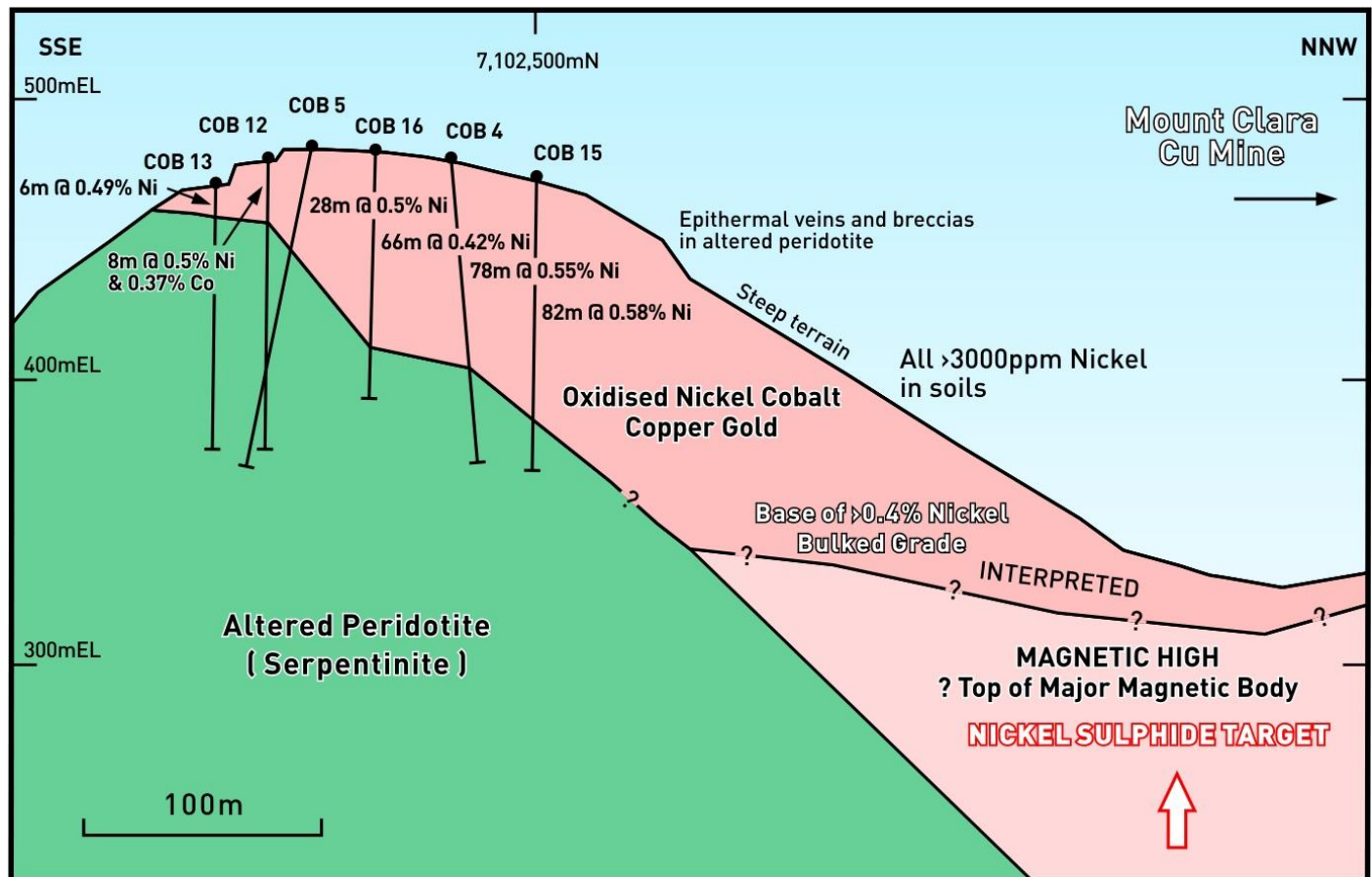


**Figure 2:** Geology of AusNiCo's exploration area south of Kilkivan and prospect locations. The serpentinite belt is more than 70 kilometres long and up to 8 kilometres wide. The explored nickel belts at Black Snake Plateau are shown in the small red box (top, centre) and represent only approximately 10% of the strike length of the nickeliferous serpentinite rocks that have been explored by AusNiCo and others to date.



Project upsides include:

1. The strong magnetic target at 350m depth.
2. Highly encouraging metallurgy - 75% nickel recovery in 90 day acid leach test of the nickel oxide.
3. The identification of further occurrences of the new style of nickel mineralisation and the advent of advanced beneficiation techniques and low pressure and temperature leaching offering the opportunity for economic extraction.



**MOUNT COBALT LONGITUDINAL SECTION - LOOKING WSW**

Figure 3: Mt Cobalt Long Section looking west south west.

#### AusNiCo's Proposed Exploration Programme

The exploration team will focus on the identification and evaluation of nickel mineralisation with similarities to Mt Cobalt and Pembroke prospects throughout the Company's tenements in south-east and central Queensland.

AusNiCo's relationship with D'Aguiar means that they have access to well appointed offices, storage sheds, workshops and exploration equipment and staff. Budgets take these issues into consideration.

#### Drilling Program

##### Drilling - Pembroke

An initial programme will consist of two diamond core holes each of about 300m. In addition a staged program of percussion drilling has been planned as shown in Figure 4. Initially the drilling will define the trends and depths of the mineralization, so that the later drilling will be optimally located.

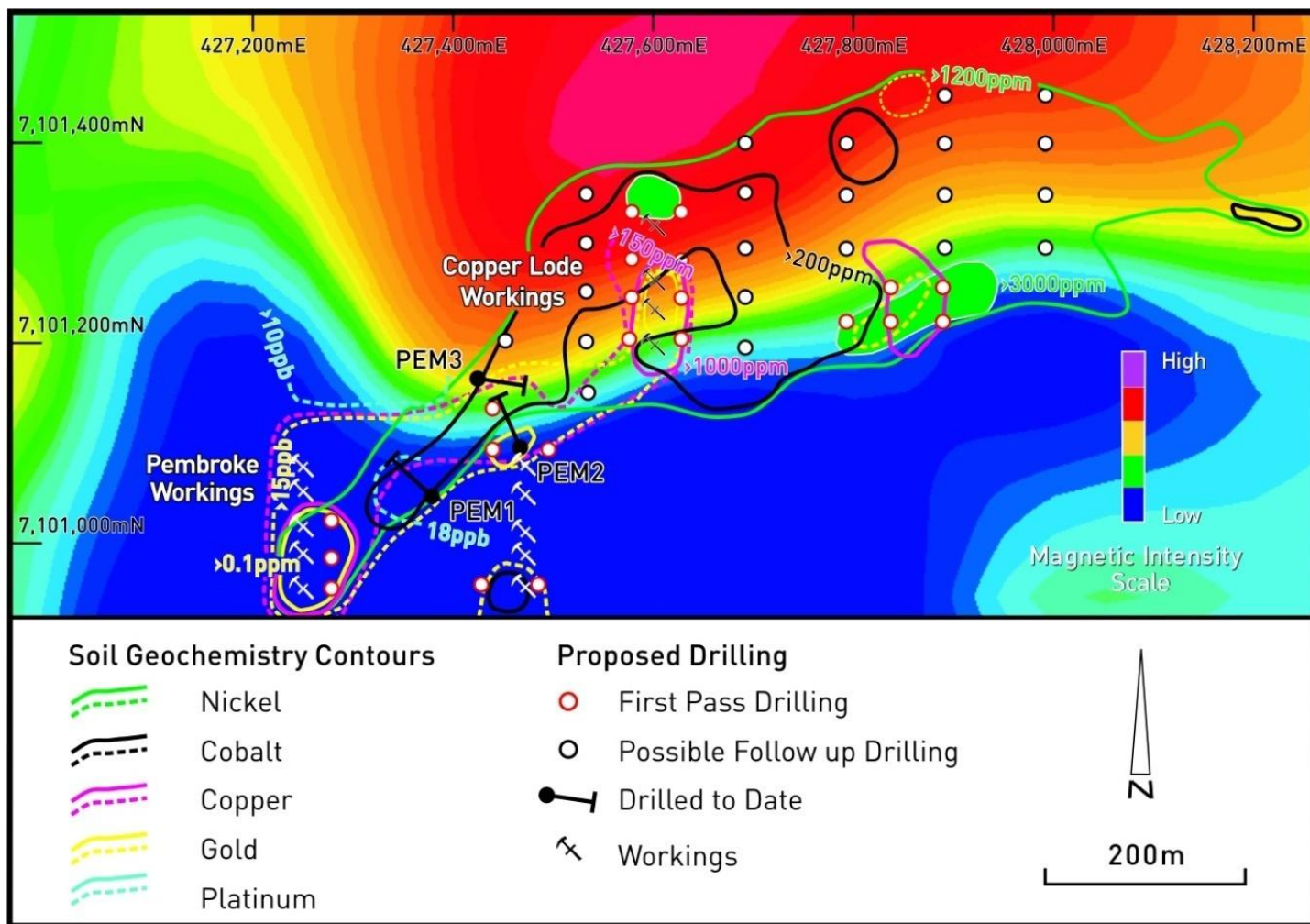


Figure 4: Pembroke Drilling Plan

#### Drilling - Mt Clara - Mt Cobalt

Two vertical coreholes are proposed to be drilled at Mt Clara and Mt Cobalt (see Figures 5 which is a map of the area and Figure 6, which displays a section through the zones to be drilled).

Site A has a planned depth of 300m and is situated where the >3000 ppm nickel body (evident at surface in soil samples) is interpreted to pass below surface 200m ESE of the Mt Clara copper mine. It is close to the peak of the magnetic anomaly.

Site B has been planned to 250m and is situated 250m NE of the Mt Clara mine and is topographically above a zone of >3000 ppm nickel that lies lower down in the main creek to the east. It is also close to a subsidiary peak magnetic anomaly.

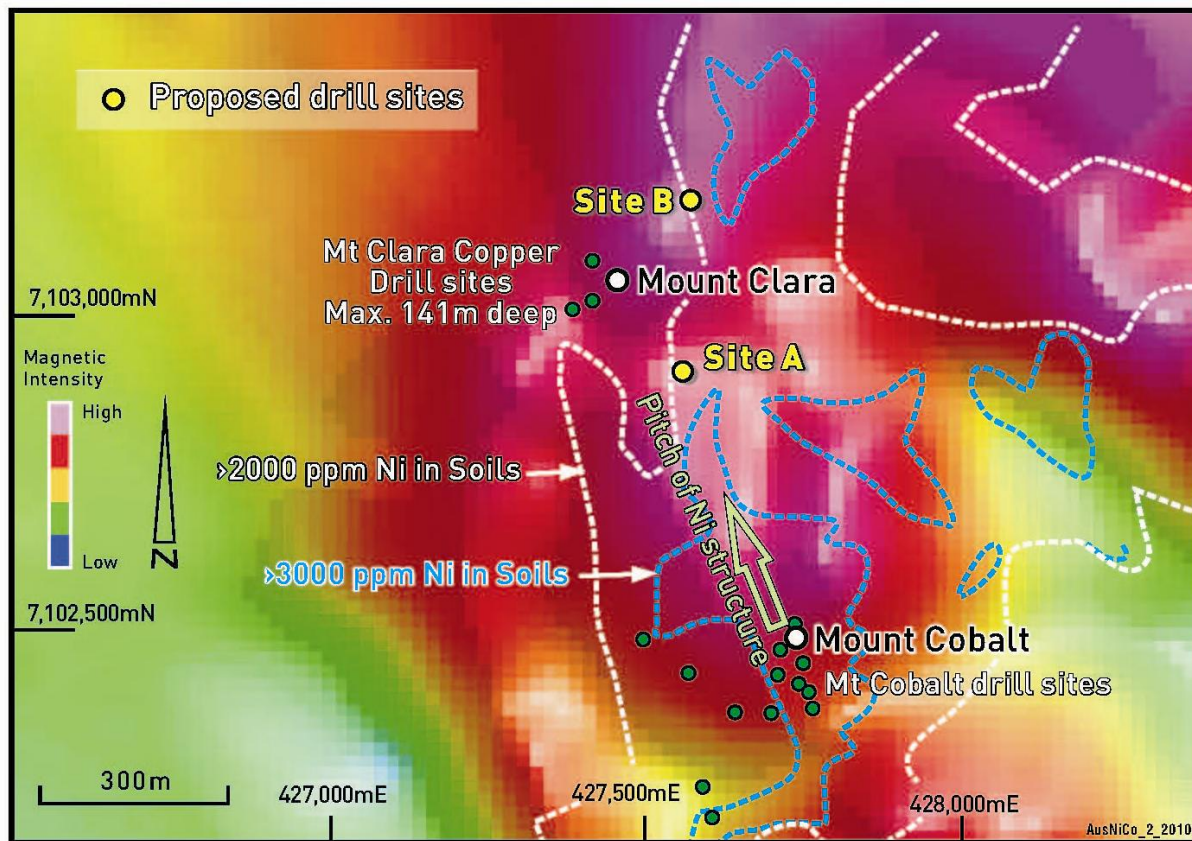


Figure 5 - Plan of proposed drilling at Mt Cobalt and Mt Clara (over Magnetics)

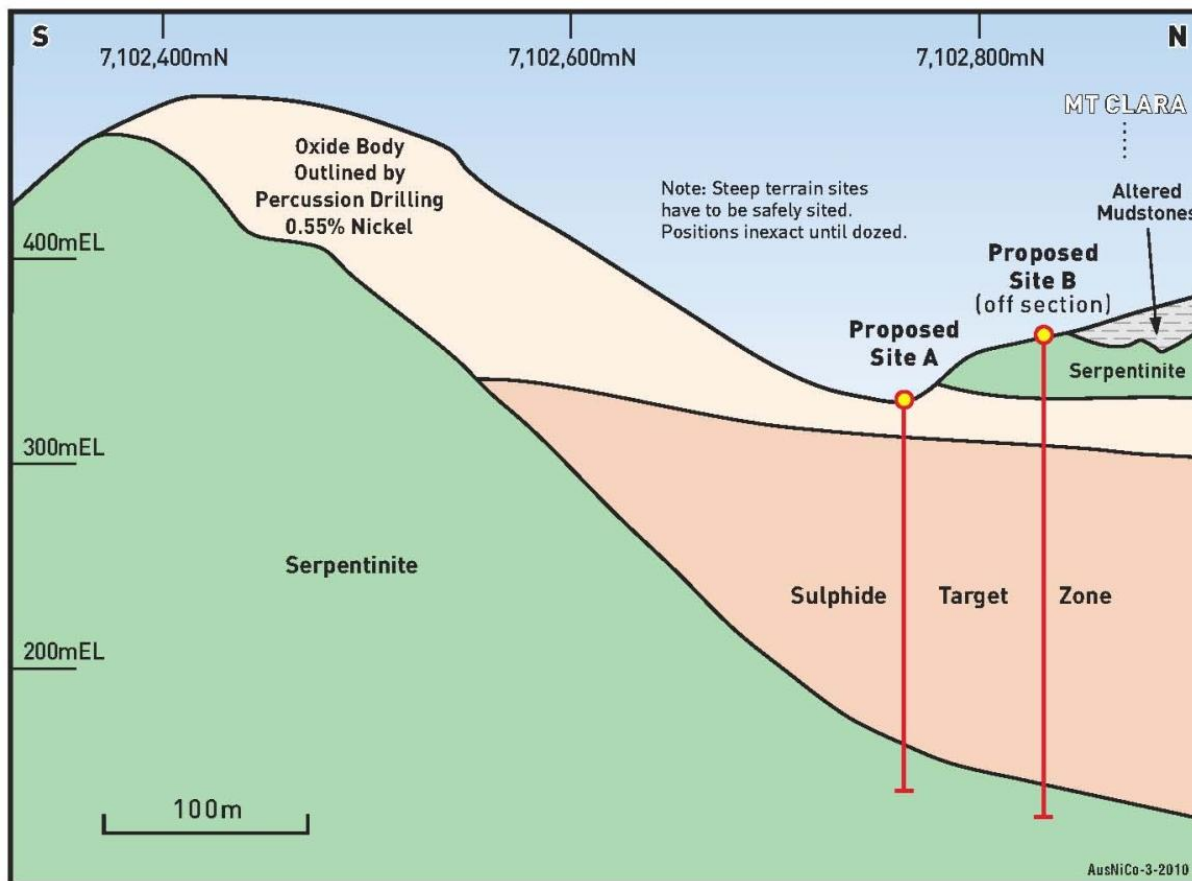


Figure 6 - Sections of proposed holes in expanded target envelope

### **Drilling - Elsewhere**

Other drilling programs have been planned, notably at Widgee and Kandanga, but the exact locations are dependent upon the results of a minor amount of geological work in those locations together with any targeting features that come to light from the drilling at Pembroke and Mt Cobalt.

### **AusNiCo's Proposed Exploration Budget**

A budget guideline is to spend approximately \$2,000,000 on direct exploration costs over the first 2 years, during which time, most, if not all of the important known prospects will be tested and other interesting areas will have first-pass exploration completed on them.

#### **COMPETENT PERSON STATEMENT**

The information in this Prospectus that relates to Exploration Results or Mineral Resources is based on information compiled by Mr Nicholas Mather B.Sc (Hons) Geol., who is a Member of The Australian Institute of Mining and Metallurgy. Mr Mather is employed by Samuel Capital Pty Ltd, which provides certain consultancy services including the provision of Mr Mather as the Managing Director of D'Aguilar Gold Ltd and a Director of AusNiCo.

Mr Mather has more than five years experience which is relevant to the style of mineralisation and type of deposit being reported and to the activity, which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves' (the JORC Code). This public report is issued with the prior written consent of the Competent Person(s) as to the form and context in which it appears.



## DIRECTORS' REPORT

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

### DIRECTORS

The names of the Directors in office during the financial year and up to the date of this report are:-

Brian Moller  
Nicholas Mather  
Vincent Mascolo  
Ian Levy (resigned 25 November 2009)  
Bill Stubbs (appointed 26 November 2009, resigned 14 July 2010)

The details of the Directors in office at the date of this report are as follows:

#### **Brian Moller - Non-Executive Chairman**

##### ***LLB (Hons)***

Brian Moller is a corporate partner in the Brisbane based law firm Hopgood Ganim. He was admitted as a solicitor in 1981 and has been a partner since 1983. He practices almost exclusively in the corporate area with an emphasis on capital raising, mergers and acquisitions.

He holds an LLB Hons from the University of Queensland and is a member of the Australian Mining and Petroleum Law Association.

Mr Moller acts for many public listed resource and industrial companies and brings a wealth of experience and expertise to the board particularly in the corporate regulatory and governance areas. He is currently a Non-Executive Director of ASX listed D'Aguilar Gold Ltd and Platina Resources Ltd and Solomon Gold plc, which is listed on the London Stock Exchange (AIM).

#### **Nicholas Mather - Non-Executive Director**

##### ***BSc (Hons, Geol), MAusIMM***

Nick Mather's special area of experience and expertise is the generation of and entry into undervalued or unrecognized resource exploration opportunities. He has been involved in the junior resource sector at all levels for more than 25 years. In that time he has been instrumental in the delivery of major resource projects that have delivered significant gains to shareholders. As an investor, securing projects and financiers, leading exploration campaigns and managing emerging resource companies Mr Mather brings a wealth of valuable experience.

Mr Mather is currently CEO (and co-founder) of Solomon Gold plc (AIM), Managing Director and co-founder of D'Aguilar Gold Ltd (ASX), Non-Executive Director of Bow Energy Ltd (ASX) and was Non-Executive Chairman and founder of Waratah Coal Inc (TSX-V) prior to its take-over in late 2008 by Clive Palmer's Mineralogy Pty Ltd group.

As an Executive Director (and co-founder) of Arrow Energy NL until 2004, Mr Mather was responsible for the generation of its Surat Basin Coal Bed Methane project. Arrow Energy now has a market capitalisation of over \$3.5 billion.

Previously as CEO of BeMax Resources NL, Mr Mather was instrumental in the discovery of the company's Pooncarie mineral sands project in 1998. BeMax Resources now has a market capitalisation of over \$275 million.

Mr Mather has also been a Non-Executive Director of Ballarat Goldfields, having assisted with the recapitalisation of the company in 2002. Ballarat Goldfields was recently taken over by Lihir Gold at a value in excess of \$300 million.

**Vincent Mascolo - Non-Executive Director**  
**BEng Mining (Univ. Wollongong), MAusIMM, MEI Aust**

Mr Mascolo is a qualified mining engineer with extensive experience in a variety of fields including, gold and coal mining, quarrying, civil-works, bridge-works, water and sewage treatment and estimating.

Mr Mascolo has completed assignments in the Civil and Construction Industry, including construction and project management, engineering, quality control and environment and safety management.

Mr Mascolo is a member of both the Australian Institute of Mining and Metallurgy and the Institute of Engineers of Australia.

Mr Mascolo is a Non-Executive Director of ASX-listed D'Aguilar Gold Limited.

**COMPANY SECRETARY**

**Karl Schlobohm - Company Secretary, CFO**  
*B.Comm, B.Econ, M.Tax, CA, AICD*

Karl Schlobohm is a Chartered Accountant with over 20 years experience across a wide range of industries and businesses. He has extensive experience with financial accounting, corporate governance, company secretarial duties and board reporting. Over the past 5 years, Mr Schlobohm has contracted into roles as CFO and/or Company Secretary for a number of ASX-listed resource companies including Linc Energy, Discovery Metals and Meridian Minerals.

He currently acts as the Company Secretary for ASX-listed D'Aguilar Gold Limited and LSE(AIM)-listed Solomon Gold Plc.

**CORPORATE STRUCTURE**

AusNiCo Limited is a company limited by shares that is incorporated and domiciled in Australia. It was converted to a public company on 23 October 2008, and lodged a Replacement Prospectus to become ASX-listed on 4 August 2010.

**PRINCIPAL ACTIVITIES**

The principal activities of the Company during the financial year involved exploration for nickel. There was no significant change in the nature of the activities of the Company during the financial year.

**EMPLOYEES**

The Company had 1 full-time, permanent employee as at 30 June 2010. Additional support from D'Aguilar Gold and the Board of Directors was provided, and consultants were used as required.

Mr John Downie has been contracted to act as the CEO of the Company for a period of three (3) years commencing at the time of the Company's debut on the ASX, anticipated to be on 21 October 2010.

**DIVIDENDS**

No dividend was declared or paid.

## SIGNIFICANT EVENTS AFTER BALANCE DATE

On 4 August 2010, the Company lodged a Replacement Prospectus with the Australian Securities and Investments Commission in connection with the Initial Public Offer (IPO) of the Company's shares on the ASX. The Company closed the offer on 1 October, having successfully raised \$4,000,000 via the issue of 20,000,000 ordinary shares at \$0.20 (each with a free attaching 20 cent option). The Company proposes to use the funds raised for the following purposes:

Meeting the costs of the IPO	\$420,000
Reimbursement of D'Aguilar	\$550,000
Exploration budget	\$2,000,000
Administration budget	\$900,000
Working capital	\$130,000

On 1 September 2010, options were issued pursuant to the Company's Employee Option Plan, and as set out in the Company's Prospectus as follows:

Managing Director	2,500,000	20 cents through to 31 July 2012
Company Secretary	400,000	20 cents through to 31 July 2012
Exploration Manager	200,000	20 cents through to 31 July 2012

Mr John Downie has been contracted to join the Company as CEO and Managing Director upon the Company's debut on the ASX. Similarly, Mr Stephen Roberts has agreed to join the Board as a Non-Executive Director, replacing Mr Vince Mascolo upon the Company's debut on the ASX.

On 1 October 2010, the Company successfully closed its IPO raising, and is progressing to its ASX listing, which is anticipated to be on 21 October 2010.

## REVIEW AND RESULTS OF OPERATIONS

The loss after income tax for the Company for the year ended 30 June 2010 was \$125,038 (2009: \$921,091).

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements of the Company for the financial year.

## FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

Planned developments in the operations of the Company and the expected results of those operations in subsequent financial years have been discussed where appropriate in the Annual Report under Review of Operations.

There are no further developments of which the Directors are aware which could be expected to affect the results of the Company's operations and plans, other than information which the Directors believe comment on, or disclosure of, would prejudice the interests of the Company.

## ENVIRONMENTAL REGULATIONS AND PERFORMANCE

The Directors have put in place strategies and procedures to ensure that the Company manages its compliance with environmental regulations. The Directors are not aware of any breaches of any applicable environmental regulations.

## PROCEEDINGS ON BEHALF OF COMPANY

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

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

## REMUNERATION REPORT (AUDITED)

### Remuneration Policy

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

The Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors and the Executive team. The Board assesses the appropriateness of the nature and amount of remuneration of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive team. Such officers are given the opportunity to receive their base remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payments chosen will be optimal for the recipient without creating undue cost for the Company. Further details on the remuneration of Directors and Executives are set out in this Remuneration Report.

The Company aims to reward the Executive Director and Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company. The Board's policy is to align Director and Executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering long-term incentives.

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

### Non-Executive Director Remuneration

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders. The Company's specific policy for determining the nature and amount of remuneration of Board members of the Company is as follows:

The Constitution of the Company provides that the Non-Executive Directors are entitled to remuneration as determined by the Company in general meeting to be apportioned among them in such manner as the Directors agree and, in default of agreement, equally. The aggregate remuneration currently determined by the Company is \$350,000 per annum. Additionally, Non-Executive Directors are entitled to be reimbursed for properly incurred expenses.

If a Non-Executive Director performs extra services, which in the opinion of the Directors are outside the scope of the ordinary duties of the Director, the Company may remunerate that Director by payment of a fixed sum determined by the Directors in addition to or instead of the remuneration referred to above. However, no payment can be made if the effect would be to exceed the maximum aggregate amount payable to Non-Executive Directors. A Non-Executive Director is entitled to be paid travelling and other expenses properly incurred by them in attending Director's or general meetings of the Company or otherwise in connection with the business of the Company.

All Directors have the opportunity to qualify for participation in the Directors' and Executive officers' option plan, subject to the approval of shareholders.

The remuneration of Non-Executive Directors for the year ended 30 June 2010 is detailed in this Remuneration Report.



## REMUNERATION REPORT (AUDITED)

### Executive Director and Executive Remuneration

The Company aims to reward the Executive Director and Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- align the interests of Executives with those of shareholders;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

The remuneration of the Executive Director and Executives may from time to time be fixed by the Board. The remuneration will comprise a fixed remuneration component and also may include offering specific short and long-term incentives, in the form of:

- performance based salary increases and/or bonuses; and/or
- the issue of options.

The remuneration of the Executive Director and the Executive employed on a full-time basis by the Company for the year ending 30 June 2010 is detailed in this Remuneration Report.

### Relationship between remuneration and Company performance

During the financial year, the Company has generated losses as its principal activity was mineral exploration.

During the year ended 30 June 2010 the Company's ordinary shares were not traded on any exchange.

There were no dividends paid during the year ended 30 June 2010.

As the Company is still in the exploration and development stage, the link between remuneration, Company performance and shareholder wealth is tenuous. Share prices are subject to the influence of metals prices and market sentiment toward the sector, and as such increases or decreases may occur quite independent of Executive performance or remuneration.

### Employment contracts

It is the Board's policy that employment agreements are entered into with all Executive Directors, Executives and employees.

The current employment agreement with the new CEO/Managing Director has a notice period of three (3) months.

All other employment agreements have one month (or less) notice periods.

The terms of appointment for Non-Executive Directors are set out in letters of appointment.

Executives are entitled to their statutory entitlements of accrued annual leave and long service leave together with any superannuation on termination. No other termination payments are payable.

**REMUNERATION REPORT (AUDITED)***Managing Director*

The Company has a three (3) year Executive Service Agreement with Mr John Downie, which is due to take effect from the Company's debut on the ASX, anticipated to be on 21 October 2010.

Under the terms of the agreement:

- Mr Downie is entitled to a base remuneration of \$300,000 per annum;
- Mr Downie has been issued with 2,500,000 options to acquire shares in the Company at 20 cents for a period through to 31 July 2012;
- Both the Company and Mr Downie are entitled to terminate the contract upon giving three (3) months written notice;
- The Company is entitled to terminate the agreement immediately upon Mr Downie's insolvency or certain acts of misconduct;
- Mr Downie is entitled to terminate the agreement immediately upon a significant diminution in his benefits, job content, status, authority or responsibilities;
- Mr Downie may earn a performance bonus for the achievement of milestones set by the Board, of up to 33% of his base remuneration.

*Other Executives*

Employment contracts entered into with Executives contain the following key terms:

Event	Company Policy
Performance based salary increases and/or bonuses	Board discretion
Short and long-term incentives, such as options	Board discretion
Resignation/ notice period	1 month
Serious misconduct	Company may terminate at any time
Payouts upon resignation or termination, outside industrial regulations (i.e. 'golden handshakes')	None

**(a) Details of Key Management Personnel**

The following persons were Directors of the Company:

*(i) Directors*

Brian Moller	Director (Non-Executive)
Nicholas Mather	Director (Non-Executive)
Vincent Mascolo	Director (Non-Executive)
Bill Stubbs	Director (Non-Executive) (appointed 26 November 2009, resigned 14 July 2010)
Ian Levy	CEO / Managing Director (resigned 25 November 2009)
Stephen Roberts	Director (Non-Executive) (appointed 25 August 2008, resigned 21 January 2009)

The following persons were Executives of the Company:

*(ii) Other Key Management Personnel*

John Roiko	Exploration Manager (appointed 15 January 2010)
Karl Schlobohm*	Company Secretary / CFO

\* Karl Schlobohm is currently remunerated by D'Aguilar Gold Ltd. On listing, AusNiCo will commence remunerating Mr Schlobohm for services rendered as Company Secretary / CFO.

## REMUNERATION REPORT (AUDITED)

## (b) Remuneration of Directors and Key Management Personnel

Directors	Short term benefits	Post Employment	Share Based Payments Equity Settled		Total	% Consisting of Options
	Salary & Fees	Super-annuation	Options	Shares		
	\$	\$	\$	\$	\$	
Directors						
Nicholas Mather						
2010	-	-	-	-	-	-
2009	-	-	47,347	-	47,347	100%
Bill Stubbs*						
2010	-	-	-	-	-	-
2009	-	-	-	-	-	-
Ian Levy **						
2010	-	-	-	-	-	-
2009	56,570	-	-	-	56,570	-
Brian Moller						
2010	-	-	-	-	-	-
2009	-	-	47,347	-	47,347	100%
Vincent Mascolo						
2010	-	-	-	-	-	-
2009	-	-	47,347	-	47,347	100%-
Stephen Roberts***						
2010	-	-	-	-	-	-
2009	-	-	47,347	-	47,347	100%
Total Remuneration: Directors						
2010	-	-	-	-	-	-
2009	56,570	-	189,388	-	245,958	

\*Bill Stubbs was a Non-Executive Director from 26 November 2009 to 14 July 2010

\*\*Ian Levy ceased acting as CEO on 31 December 2008, and resigned as a Director on 25 November 2009.

\*\*\*Stephen Roberts was a Non-Executive Director for the period 25 August 2008 to 21 January 2009.

Other Key Management Personnel	Short term benefits	Post Employment	Share Based Payments Equity Settled		Total	% Consisting of Options
	Salary & Fees	Super-Annuation	Options	Shares		
	\$	\$	\$	\$	\$	
Key Management Personnel						
John Roiko *						
2010	50,459	4,541	-	-	55,000	-
2009	-	-	-	-	-	-
Total Remuneration : Other Key Management Personnel						
2010	50,459	4,541	-	-	55,000	
2009	-	-	-	-	-	

\* John Roiko was appointed as Exploration Manager on 15 January 2010.

There were no other executives employed or remunerated by the Company during the years ended 30 June 2009 and 2010.

**REMUNERATION REPORT (AUDITED)***Performance income as a proportion of total remuneration*

There was no performance based remuneration during the year.

*Options issued as part of remuneration for the year ended 30 June 2010*

Options may be issued to Directors and Executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of Directors and Executives of the Company to align comparative shareholder return and reward for Directors and Executives.

**(c) Options Granted as Remuneration**

During the year ended 30 June 2010, there were no options were granted as remuneration to any Key Management Personnel of the Company.

Details of all options on issue at 30 June 2010 and held by Key Management Personnel as remuneration are detailed below:

	Grant Date	Grant Number	Exercise Price	Expiry Date	Vest Date	Number Vested	Value per option at grant date (\$)#	Exercised in current year	Exercised in prior years	Balance at 30/6/10
<b>Directors</b>										
Nicholas Mather	5/12/2008	500,000	\$0.30	19/11/2013	19/11/2013	500,000	\$0.095	-	-	500,000
Brian Moller	5/12/2008	500,000	\$0.30	19/11/2013	19/11/2013	500,000	\$0.095	-	-	500,000
Vincent Mascolo	5/12/2008	500,000	\$0.30	19/11/2013	19/11/2013	500,000	\$0.095	-	-	500,000

# Calculation of value of options granted using the Black-Scholes option pricing model, which takes into account factors such as the option exercise price, the share price at the date of issue and volatility of the underlying share price and the time to maturity of the option.

Once vested, options can be exercised at any time up to the expiry date. None of the above options were forfeited during the year ended 30 June 2010. The options are not issued based on performance criteria, as the Board does not consider this appropriate for a junior exploration company.

**(d) Shares issued on exercise of remuneration options**

There were no options exercised during the year that were previously granted as remuneration (nil, 2009).

**(End of Remuneration Report)**

**DIRECTORS' MEETINGS**

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

	Board		Audit & Risk Management Committee	
	Number of meetings held while in office	Meetings attended	Number of meetings held while in office	Meetings attended
Nicholas Mather	8	8	2	2
Brian Moller	8	8	2	2
Bill Stubbs	5	5	1	1
Ian Levy	3	3	1	1
Vincent Mascolo	8	8	2	2

**INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITOR**

Each of the Directors and Secretary of the Company has entered into a Deed with the Company whereby the Company has provided certain contractual rights of access to books and records of the Company to those Directors. The Company has insured all of the Directors. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. The Corporations Act does not require disclosure of the information in these circumstances.

The Company has not indemnified or insured its auditor.

**NON-AUDIT SERVICES**

The following non-audit services were provided by the entity's auditor BDO (Qld). The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

BDO (Qld) received the following amounts for the provision of non-audit services:

Tax services	\$5,923
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## **CORPORATE GOVERNANCE**

In recognising the need for the highest standards of corporate behavior and accountability, the Directors of the Company support and have adhered to the principles of corporate governance. The Company's corporate governance statement can be found on page 26.

## **AUDITOR'S INDEPENDENCE DECLARATION**

The Auditor's Independence Declaration forms part of the Directors' Report and can be found on page 22.

Signed in accordance with a resolution of Directors:



Nicholas Mather  
Director

Brisbane

Date: 15 October 2010

## **DECLARATION OF INDEPENDENCE BY D P WRIGHT TO THE DIRECTORS OF AUSNICO LIMITED**

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

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



**Damian Wright**

Director

**BDO Audit (Qld) Pty Ltd**

Brisbane, 15 October 2010

## SHAREHOLDER INFORMATION

### (a) Distribution Schedule

Fully Paid Ordinary Shares, and Unlisted Options

	Ordinary Shares		Unlisted \$0.20 options exercisable on or before 31 July 2012		Unlisted \$0.30 options exercisable on or before 19 November 2013	
	Number of holders	Number of shares	Number of holders	Number of options	Number of holders	Number of options
1 - 1,000	0	0	-	-	-	-
1,001 - 5,000	0	0	-	-	-	-
5,001 - 10,000	168	1,680,000	168	1,680,000	-	-
10,001 - 100,000	239	9,490,000	239	9,490,000	-	-
100,001 and over	48	98,990,000	15	11,930,000	5	22,000,000
<b>Total</b>	<b>455</b>	<b>110,160,000</b>	<b>422</b>	<b>23,100,000</b>	<b>5</b>	<b>22,000,000</b>

### (b) Twenty Largest Holders

#### (a) Twenty largest holders

The names of the twenty largest holders, in each class of quoted security in D'Aguilar Gold Ltd are:

#### Ordinary shares:

1	D'AGUILAR GOLD LIMITED	58,850,000	53.42%
2	BIZZELL CAPITAL PARTNERS PTY LTD	5,000,000	4.54%
3	INDIUM INVESTMENTS PTY LTD	4,000,000	3.63%
4	BALLARAT CERAMIC INDUSTRIES PTY LTD <THE SELLER FAMILY>	3,750,000	3.40%
5	CF2 PTY LTD <THE CF A/C>	3,600,000	3.27%
6	JUSTEVIAN PTY LTD <JUSTEVIAN SUPERANNUATION FUND A/C>	2,800,000	2.54%
7	CLAYMOR RESOURCES PTY LIMITED	2,000,000	1.82%
8	TENSTAR TRADING LIMITED	2,000,000	1.82%
9	SAMUEL HOLDINGS PTY LTD <SAMUEL DISCRETIONARY A/C>	1,850,000	1.68%
10	CPS INTERNATIONAL HOLDINGS PTY LTD	1,250,000	1.13%
11	BRILE PTY LTD	1,200,000	1.09%
12	SIXTH ERRA PTY LIMITED <I COLLIE FAMILY A/C>	1,200,000	1.09%
13	RICHARD STACY ANTHON <BIZZELL FOUNDATION A/C>	1,000,000	.91%
14	BCP ALPHA INVESTMENTS PTY LTD	915,000	.83%
15	ANGORA LANE PTY LTD <SUPER FUND A/C>	800,000	.73%
16	MR CLIVE BROWN	800,000	.73%
17	CARRINGBUSH ENTERPRISES PTY LTD	800,000	.73%
18	BCP ALPHA INVESTMENTS PTY LTD	640,000	.58%
19	PACIFIC DEVELOPMENT CORPORATION PTY LTD	600,000	.54%
20	WELAS PTY LTD <THE WALES FAMILY A/C>	500,000	.45%
<b>Total</b>			<b>100.00%</b>

\* These shareholders have more than one shareholding and these shareholdings have been merged for the purposes of this table.



**(b) Substantial shareholders**

Following the dispatch of security notices from the Registrar, the Company is expecting to receive substantial shareholding notices from the following party:

Name	Number of Shares	%
D'Aguilar Gold Limited	58,850,000	53.4%

**(c) Voting rights**

All ordinary shares carry one vote per share without restriction.

**(d) Restricted securities**

The Company is aware of the following parties having restrictions over their shareholdings through to 21 October 2012:

Name	Number of Shares	%
D'Aguilar Gold Limited	58,850,000	53.4%
Bizzell Capital Partners Pty Ltd	5,000,000	4.5%
Ballarat Ceramic Industries Pty Ltd	3,750,000	3.4%
Samuel Holdings Pty Ltd	1,850,000	1.7%
Richard Anthon	1,000,000	0.9%
BCP Alpha Investments Pty Ltd	915,000	0.8%
Plutus Capital Pty Ltd	335,000	0.3%
Vincent Mascolo	300,000	0.3%

## INTEREST IN TENEMENTS

As at the date of this report, the Company has an interest in the following tenements.

Tenement	% Interest	Grant Date	Application Date	Expiry Date	Term
EPM 13359	100%	04.01.02		03.01.11	2 years
EPM 13360	100%	06.02.02		05.02.11	2 years
EPM 14372	100%	25.01.10		24.01.12	2 years
EPM 14560	100%	14.09.05		13.09.10	5 years
EPM 15457	100%	13.07.06		12.07.11	5 years
EPM 16077	100%	12.03.08		11.03.13	5 years
EPM 16985	100%	13.03.09		12.03.11	2 years
EPM 17611	100%	08.01.09		07.01.14	5 years
EPM 17721	100%	07.04.09		06.04.11	2 years
EPM 17722	100%	08.04.09		07.04.11	2 years
EPM 17768	100%		01.08.08	N/A	3 years
EPM 17817	100%		08.09.08	N/A	2 years
EPM 17818	100%	11.11.09		10.11.11	2 years
EPM 18107	100%	07.12.09		06.12.12	3 years

As at the date of this report, the Company has an outstanding application for the renewal of EPM 14560. The Company is not aware of any reason why the renewal will not be granted.

## CORPORATE GOVERNANCE STATEMENT

The Board of directors of AusNiCo Ltd is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of AusNiCo Ltd on behalf of the shareholders by whom they are elected and to whom they are accountable.

AusNiCo Ltd's Corporate Governance Statement was adopted on 28 May 2010, and is structured with reference to the Australian Securities Exchange ("ASX") Corporate Governance Council's (the "Council") "Corporate Governance Principles and Recommendations, 2nd Edition", which are as follows:

Principle 1	Lay solid foundations for management and oversight
Principle 2	Structure the Board to add value
Principle 3	Promote ethical and responsible decision making
Principle 4	Safeguard integrity in financial reporting
Principle 5	Make timely and balanced disclosure
Principle 6	Respect the rights of shareholders
Principle 7	Recognise and manage risk
Principle 8	Remunerate fairly and responsibly

A copy of the eight Corporate Governance Principles and Recommendations can be found on the ASX's website.

The Company's Corporate Governance Charter can be obtained, at no cost, from the Company's registered office and is also available on the Company's website [www.ausnico.com.au](http://www.ausnico.com.au)

### COMMITTEES

Following its debut on the ASX, the Board will establish an Audit and Risk Management Committee comprising Mr Stephen Roberts, Mr Brian Moller and Mr Nick Mather. The Company has adopted an Audit and Risk Management Charter setting out the composition, purpose, powers and scope of the Committee as well as reporting requirements to the Board as a whole. Extracts of this Charter are available at the Company's website [www.ausnico.com.au](http://www.ausnico.com.au)

The Company does not have any other formally constituted committees of the Board of Directors. The Directors consider that the Company is not of a size nor are its affairs of such complexity as to justify the formation of any other special or separate committees at this time. The Board as a whole is able to address the governance aspects of the Company's activities and ensure that it adheres to appropriate ethical standards. This statement outlines the main corporate governance policies, which the Directors have adopted.

### COMPOSITION OF THE BOARD

At the time of Listing, the Board will be comprised of 4 Directors. The names, qualifications and relevant experience of each current Director are set out in the Directors Report. There is no requirement for any Director's shareholding qualification.

As the Company's activities increase in size, nature and scope, the size of the Board will be reviewed periodically and the optimum number of Directors required to adequately supervise the Company's activities determined within the limitations imposed by the Constitution.

### BOARD MEMBERSHIP

The Board acts as a nomination committee. Members of the Board have been brought together to provide a blend of qualifications, skills and national and international experience required for managing a company operating within the mining industry.

### APPOINTMENT AND RETIREMENT OF DIRECTORS

The Company's Constitution provides that Directors are subject to retirement by rotation, by order of length of appointment. Retiring Directors are eligible for re-election by Shareholders at the annual general meeting of the Company.

### DUTIES OF DIRECTORS

Directors are expected to accept all duties and responsibilities associated with the running of a public company, to act in the best interests of the Company and to carry out their duties and responsibilities with due care and diligence.

Directors are required to take into consideration conflicts when accepting appointments to other boards. Accordingly, Directors wishing to accept appointment to other boards must first seek approval from the Board, approval of which will not be unreasonably withheld.

#### **INDEPENDENT PROFESSIONAL ADVICE**

The Board has determined that individual Directors may, in appropriate circumstances, engage outside advisers at the Company's expense. The engagement of an outside adviser is subject to the prior approval of the Board, which will not be unreasonably withheld.

#### **COMPENSATION ARRANGEMENTS**

The maximum aggregate amount payable to non-executive Directors as Director's fees has been set at three hundred and fifty thousand dollars (\$350,000) per annum. The Constitution provides that Director's fees can only change pursuant to a resolution at a general meeting.

The Board is responsible for reviewing and negotiating the compensation arrangements of senior executives and consultants.

#### **INTERNAL MANAGEMENT CONTROLS**

The Company's assets are located in Australia. Control over the operations is exercised by senior management. The Board also monitors the performance of outside consultants engaged from time to time to complete specific projects and tasks.

#### **IDENTIFYING SIGNIFICANT BUSINESS RISKS**

The Board regularly monitors the operational and financial performance of the Company's activities. It monitors and receives advice on areas of operation and financial risk and considers strategies for appropriate risk management. All operational and financial strategies adopted are aimed at improving the value of the Company's Shares, however, the Directors recognise that mineral exploration and evaluation is inherently risky.

#### **ASX CORPORATE GOVERNANCE**

To further enhance listed entities' disclosure of corporate governance issues, the ASX Corporate Governance Council (CGC) was established on 1 August 2002. The CGC was established for the purpose of setting an agreed set of corporate governance standards of best practice for Australian listed entities. The CGC has released its second edition of Corporate Governance Principles and Recommendations (ASX Guidelines) which will apply to the Company's financial statements upon listing on the ASX. The ASX Guidelines articulate core principles that CGC believes underlie good corporate governance. The ASX Guidelines provide that a listed entity's Annual Report is required to disclose its main corporate governance practices and also the extent to which the entity complies with the ASX Guidelines and where it does not, to explain why.

#### **TRADING POLICIES**

The Directors of the Company are subject to a number of restrictions in relation to them dealing in Shares of the Company. Directors can only deal in Shares in the Company during certain periods or in certain circumstances (e.g. a bonus issue), and then only after giving 24 hours notice of the intended transaction to the Chairman of the Board.

#### **CORPORATE GOVERNANCE STATEMENT**

The Company has adopted a Corporate Governance Charter dated 28 May 2010 (**Corporate Governance Charter**) in order to implement and maintain a culture of good corporate governance both internally and in its external dealings. In adopting the Corporate Governance Charter the Board is mindful of the ASX Guidelines.

The following table briefly addresses the areas where the Company has departed from the ASX Guidelines. Where the Company's Corporate Governance practices do not correlate with the practices recommended by the CGC, the Company is working towards compliance; however it does not consider that all practices are appropriate for the Company due to the size and scale of Company operations.

The Board is of the view that with the exception of the departures from the ASX Guidelines as set out in the following table it otherwise complies with all of the ASX Guidelines.

## Areas where the Company has departed from the ASX guidelines

ASX Principles and Recommendations	Summary of the Company's Position
<b>Principle 1 - Lay Solid Foundations for Management and Oversight</b>	
Recommendation 1.2 - Companies should disclose the process for evaluating the performance of senior executives	The Board has not established a separate nomination committee. In the absence of a formally constituted nomination committee, the full Board is responsible for the proper oversight of the Board, the Directors and senior management. The Board considers that given its size, no efficiencies or other benefits would be gained by establishing a separate committee.
<b>Principle 2 - Structure Board to Add Value</b>	
Recommendation 2.1 - A majority of the board should be independent directors	Presently under the ASX Guidelines it is considered that there are no independent directors. Upon the Company's debut on the ASX, Mr Stephen Roberts will replace Mr Mascolo, and that will give the Company only one independent director at that time. While the Company does not presently comply with this Recommendation 2.1, the Company may consider appointing further independent Directors in the future. The Company believes that given the size and scale of its operations, non-compliance by the Company with this Recommendation 2.1 will not be detrimental to the Company.
Recommendation 2.2 - The Chair should be an independent director	Brian Moller is the Chairman of the Company, but is not considered to be independent under the ASX Guidelines. The Company is of the view that the size and scale of its current operations do not warrant the appointment of an independent Chairperson and that non-compliance with this Recommendation 2.2 will not be detrimental to the Company.
Recommendation 2.4 - The board should establish a nomination committee	The Board's view is that the Company is not currently of the size to justify the formation of a separate nomination committee. The Board currently performs the functions of a nomination committee and where necessary will seek the advice of external advisors in relation to this role. The Board shall, upon the Company reaching the requisite corporate and commercial maturity, approve the constitution of a nomination committee to assist the Board in relation to the appointment of Directors and senior management.
<b>Principle 4 - Safeguard Integrity in Financial Reporting</b>	
Recommendation 4.2 - The audit committee should be structured so that it: <ul style="list-style-type: none"> <li>Consists only of non-executive directors</li> <li>Consists of a majority of independent directors</li> <li>Is chaired by an independent chair, who is not chair of the board</li> <li>Has at least three members</li> </ul>	The Audit Committee is currently comprised of Messrs Mascolo, Moller and Mather. Mr Stephen Roberts will be replacing Mr Mascolo upon the Company's debut on the ASX. Mr Roberts, as an independent Director, will chair the Audit Committee. While the Company does not presently comply with this Recommendation 4.2 (Messrs Moller and Mather are not considered independent under the ASX guidelines), the Company may consider appointing further independent Directors in the future at which time it may reconsider the composition of the audit committee. The Company believes that given the size and scale of its operations, non-compliance by the Company with this Recommendation 4.2 will not be detrimental to the Company.
<b>Principle 7 - Recognise and Manage Risk</b>	
Recommendation 7.2 - The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	The Board is responsible for reviewing and ratifying systems of risk management and internal compliance.
<b>Principle 8 - Remunerate Fairly and Responsibly</b>	
Recommendation 8.1 - The board should establish a remuneration committee	The Board has not established a remuneration committee. The Board considers that given its size, no efficiencies or other benefits would be gained by the establishing of such a committee. The role of the remuneration committee is carried out by the full Board. The Company has adopted a Remuneration Committee Charter, which is set out in the Company's Corporate Governance Charter.

# STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 \$	2009 \$
Revenue	2	-	10,213
Employee benefits expenses		-	(56,570)
Exploration costs written-off		(27,759)	(115,795)
Legal expense		(4,022)	(1,320)
Depreciation		(8,065)	(8,065)
Share based payment expense		-	(189,388)
Administration and consulting expense		(85,192)	(429,692)
Other expenses		-	(130,474)
<b>Profit/(loss) before income tax</b>		<b>(125,038)</b>	<b>(921,091)</b>
Income tax expense	4	-	-
<b>Profit/(loss) for the year</b>		<b>(125,038)</b>	<b>(921,091)</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>(125,038)</b>	<b>(921,091)</b>
Profit/(loss) for the year is attributable to: Owners of AusNiCo Limited		<b>(125,038)</b>	<b>(921,091)</b>
Total comprehensive income/(loss) for the year is attributable to: Owners of AusNiCo Limited		<b>(125,038)</b>	<b>(921,091)</b>
<b>Earnings per share</b>		<b>Cents</b>	<b>Cents</b>
Basic Earnings Per Share	8	(0.1)	(1.0)
Diluted Earnings Per Share	8	(0.1)	(1.0)

The Statement of Comprehensive Income should be read in conjunction with the notes to the financial statements.

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	Notes	2010 \$	2009 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	9	82	24,691
Trade and other receivables	10	11,718	18,760
Other current assets	11	81,469	-
<b>TOTAL CURRENT ASSETS</b>		<b>93,269</b>	<b>43,451</b>
<b>NON-CURRENT ASSETS</b>			
Other financial assets	12	34,152	31,614
Property, plant & equipment	13	18,718	26,783
Exploration & evaluation assets	14	3,242,851	3,059,047
<b>TOTAL NON-CURRENT ASSETS</b>		<b>3,295,721</b>	<b>3,117,444</b>
<b>TOTAL ASSETS</b>		<b>3,388,990</b>	<b>3,160,895</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	679,989	311,406
Other financial liabilities	16	5,460	15,450
<b>TOTAL CURRENT LIABILITIES</b>		<b>685,449</b>	<b>326,856</b>
<b>NON-CURRENT LIABILITIES</b>			
Other financial liabilities	16	-	5,460
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>-</b>	<b>5,460</b>
<b>TOTAL LIABILITIES</b>		<b>685,449</b>	<b>332,316</b>
<b>NET ASSETS</b>		<b>2,703,541</b>	<b>2,828,579</b>
<b>EQUITY</b>			
Issued capital	17	2,220,001	2,220,001
Option reserve	18	2,083,268	2,083,268
Accumulated losses	19	(1,599,728)	(1,474,690)
<b>TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF AUSNICO LIMITED</b>		<b>2,703,541</b>	<b>2,828,579</b>

The Statement of Financial Position should be read in conjunction with the notes to the financial statements.

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

	Issued Capital \$	Retained Profits/(Losses) \$	Reserves \$	Totals \$
<b>Balance at 1 July 2008</b>	1,950,001	1,340,281	-	3,290,282
Shares issued during the year	270,000	-	-	270,000
Share issue costs	-	-	-	-
Share based payments	-	-	189,388	189,388
Issue of parent entity options	-	(1,893,880)	1,893,880	-
Profit / (loss) for the year	-	(921,091)	-	(921,091)
<b>Balance at 30 June 2009</b>	<u>2,220,001</u>	<u>(1,474,690)</u>	<u>2,083,268</u>	<u>2,828,579</u>
Shares issued during the year	-	-	-	-
Share issue costs	-	-	-	-
Profit / (loss) for the year	-	(125,038)	-	(125,038)
<b>Balance at 30 June 2010</b>	<u>2,220,001</u>	<u>(1,599,728)</u>	<u>2,083,268</u>	<u>2,703,541</u>

The Statement of Changes in Equity should be read in conjunction with the notes to the financial statements.



## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 \$	2009 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees (including payments of GST)		(179,084)	(809,611)
Interest received		-	10,213
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	20	<b>(179,084)</b>	<b>(799,398)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment in security deposits		(2,538)	(7,500)
Payments for exploration & evaluation		(211,562)	(456,062)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(214,100)</b>	<b>(463,562)</b>
<b>CASHFLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from the issue of securities		-	270,000
Proceeds from loans		384,025	155,120
Payments on leases		(15,450)	(14,150)
<b>NET CASH FLOWS TO/FROM FINANCING ACTIVITIES</b>		<b>368,575</b>	<b>410,970</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>		<b>(24,609)</b>	<b>(851,990)</b>
Cash at the beginning of the financial year		24,691	876,681
<b>CASH AT THE END OF THE FINANCIAL YEAR</b>	9	<b>82</b>	<b>24,691</b>

The Statement of Cash Flows should be read in conjunction with the notes to the financial statements.

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

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial report covers the Company of AusNiCo Limited, a limited company, incorporated and domiciled in Australia.

#### *Compliance with IFRS*

Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes of AusNiCo Limited comply with International Financial Reporting Standards (IFRS).

#### **Basis of Preparation**

##### *Going concern*

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. As at 30 June 2010 the Company was reliant on the continuing support of its majority shareholder, D'Aguilar Gold Limited. D'Aguilar Gold has provided written assurance that continuing financial support will be available and that the loan due to them of \$539,145 as at 30 June 2010 will not be recalled until such time as the Company can afford to pay it. This is part of the arrangements disclosed by the Company in its Prospectus.

The ability of the Company to continue and adopt the going concern assumption will depend upon a number of matters including the successful closure of its fully underwritten \$4.0 million IPO, and its subsequent successful raising in the future of necessary funding and successful exploitation of its exploration assets.

##### *Reporting basis and conventions*

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

#### **Accounting Policies**

##### **(a) Income Tax**

The income tax expense for the period is the tax payable on the current period's taxable income rate for each jurisdiction adjusted by changes in deferred tax assets liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

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

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (a) Income Tax (continued)

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in the statement of comprehensive income except where it relates to items that may be recognised directly in equity, in which case the deferred tax is adjusted directly against equity. Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

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

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

#### (b) Exploration and Evaluation Assets

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure but do not include overheads or administration expenditure not having a specific nexus with a particular area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active or significant operations in relation to the area are continuing.

A regular review has been undertaken on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

A provision is raised against exploration and evaluation expenditure where the Directors are of the opinion that the carried forward net cost may not be recoverable or the right of tenure in the area lapses. The increase in the provision is charged against the results for the year. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

Costs of site restoration are provided over the life of the area from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structure, waste removal, and rehabilitation of the site in accordance with clauses of mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

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

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (b) Exploration and Evaluation Assets (continued)

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that restoration will be completed within one year of abandoning the site.

#### (c) Property, Plant & Equipment

Property, plant & equipment are measured on the cost basis less depreciation and impairment losses.

The cost of property, plant & equipment constructed within the Company includes the cost of materials, direct labour, borrowing costs and an appropriate portion of fixed and variable costs. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial year in which they are incurred.

##### *Depreciation*

The depreciable amount of all property, plant & equipment is depreciated over their useful life to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of assets are:

<i>Class of Property, plant &amp; equipment</i>	<i>Depreciation</i>
Motor Vehicles	20% Straight line
Computer Equipment	33.3% Straight line

#### (d) Financial Instruments

##### *Recognition and Initial Measurement*

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

##### *Derecognition*

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognized where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

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

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (d) Financial Instruments (continued)

##### *Classification and Subsequent Measurement*

##### (i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

##### (ii) Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

#### (e) Impairment of Assets

At each reporting date, the Company reviews the carrying values of its tangible 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 profit or loss.

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

#### (f) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the year end and which are unpaid. These amounts are unsecured and have 30-60 day payment terms.

#### (g) Leases

Leases of property, plant & equipment where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Company 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 year.

Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the Company will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight line basis.

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

#### (h) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

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

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (i) Revenue

Revenue is measured at the fair value of consideration received or receivable after taking into account any trade discounts and volume rebates allowed. The following specific recognition criteria must also be met before revenue is recognised:

##### *Interest*

Interest revenue is recognized using the effective interest rate method.

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

#### (j) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

#### (k) GST

Revenues, expenses and assets are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

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

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

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

#### (l) Comparatives

When required by Australian Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

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

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (m) Accounting Standards Issued But Not Yet Effective

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

AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards amend the classification and measurement of financial assets. The Company 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:
  - o The objective of the entity's business model for managing the financial assets; and
  - o The characteristics of the contractual cash flows.

Other new and amended standards and interpretations are not expected to impact the Company.

#### (n) Share-Based Payments

The Company may provide benefits to Directors, employees or consultants in the form of share-based payment transactions, whereby services may be undertaken in exchange for shares or options over shares ("equity-settled transactions").

The fair value of options granted to Directors, employees and consultants is recognised as an employee benefit expense with a corresponding increase in equity (share option reserve). The fair value is measured at grant date and recognised over the period during which the recipients become unconditionally entitled to the options. Fair value is determined by an independent valuer using a Black-Scholes option pricing model. An expense is still recognised for options that do not ultimately vest because a market condition was not met.

Where the terms of options are modified, the expense continues to be recognised from grant date to vesting date as if the terms had never been changed. In addition, at the date of the modification, a further expense is recognised for any increase in fair value of the transaction as a result of the change.

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

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (n) Share-Based Payments (continued)

Where options are cancelled, they are treated as if vesting occurred on cancellation and any unrecognised expenses are taken immediately to the profit or loss. If new options are substituted for the cancelled options and designated as a replacement, the combined impact of the cancellation and replacement options are treated as if they were a modification.

#### (o) Share Capital

Ordinary shares are classified as equity at the time that they are issued. Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit.

#### (p) Presentation of Financial Statements

In September 2007 the Australian Accounting Standards Board revised AASB 101 and, as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Company's financial statements.

##### (i) *Terminology changes*

The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

##### (ii) *Reporting changes in equity*

The revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

##### (iii) *Statement of comprehensive income*

The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement. The Company's financial statements now contain a statement of comprehensive income.

##### (iv) *Other comprehensive income*

The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.



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

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

### Key estimates - impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

### Key judgements - exploration & evaluation assets

The Company performs regular reviews on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. These reviews are based on detailed surveys and analysis of drilling results performed to balance date.

The Directors have assessed that for the exploration and evaluation assets recognised at 30 June 2010, the facts and circumstances do not suggest that the carrying amount of an asset may exceed its recoverable amount. In considering this the Directors have had regard to the facts and circumstances that indicate a need for an impairment as noted in Accounting Standard AASB 6 "Exploration and Evaluation of Mineral Reserves".

Exploration and evaluation expenditure is carried at the end of the reporting period at \$3,242,851 (2009: \$3,059,047).

		2010 \$	2009 \$
<b>NOTE 2. REVENUES</b>	<b>Note</b>		
<b>Revenue</b>			
- interest received	2(a)	-	10,213
<b>Total revenue</b>		-	<b>10,213</b>
(a) Interest revenue from:			
- Other persons		-	10,213
<b>Total interest revenue</b>		-	<b>10,213</b>

## NOTE 3. PROFIT/(LOSS)

Included in the profit/(loss) are the following specific expenses:

Exploration costs written off	27,759	115,795
Other capitalised costs written off	-	130,474
Legal expenses	4,022	1,320
Administration & consulting expenses	80,191	429,692
Depreciation		
- Plant & equipment	165	165
- Leased motor vehicle	7,900	7,900
	<b>8,065</b>	<b>8,065</b>
Employee benefits	-	56,570
Share based payments	-	189,388

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

	2010 \$	2009 \$
<b>NOTE 4. INCOME TAX</b>		
The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:		
Prima facie tax payable on profit/(loss) before income tax at 30% (2009: 30%)	(37,511)	(276,327)
Add tax effect of:		
Deferred tax not recognised on loss	40,013	276,327
	2,502	-
Less effect of:		
Overprovision for income tax	(2,502)	-
	-	-
Income tax expense / (benefit) attributable to profit before income tax	-	-
<b>Recognised deferred tax assets</b>		
Unused tax losses	388,279	325,079
Deductible temporary differences	36,657	44,716
Potential benefit at 30% (2009: 30%)	424,933	369,795
<b>Recognised deferred tax liabilities</b>		
Assessable temporary differences	424,936	369,795
Potential benefit at 30% (2009: 30%)	424,936	369,795
<b>Deferred tax</b>	-	-
<b>Unrecognised deferred tax assets</b>		
Unrecognised tax losses	950,753	817,373
Deferred tax assets not taken up at 30% (2009:30%)	285,226	245,242

In order to recoup carried forward losses in future periods, either the Continuity of Ownership Test (COT) or Same Business Test must be passed. The majority of losses are carried forward at 30 June 2010 under COT.

Deferred tax assets which have not been recognised as an asset, will only be obtained if:

- (i) the Company derives future assessable income of a nature and of an amount sufficient to enable the losses to be realised;
- (ii) the Company continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the Company in realising the losses.

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

### NOTE 5. KEY MANAGEMENT PERSONNEL

#### (a) Key Management Personnel Compensation

The totals of remuneration paid to Key Management Personnel for the Company for the year were as follows:

	2010	2009
	\$	\$
Short term employee benefits	50,459	56,570
Post employment benefits	4,541	-
Share based payments	-	189,388
<b>Total</b>	<b>55,000</b>	<b>245,958</b>

Refer to the Remuneration Report contained in the Directors Report for details of the remuneration paid or payable to each member of the Company's Key Management Personnel.

#### (b) Equity Instruments

##### Shareholdings

<i>Current Year</i>	Balance 1 July 2009	Granted as Compensation	Options Exercised	Net Change Other	Balance 30 June 2010
<b>Directors</b>					
Nicholas Mather	-	-	-	-	-
Ian Levy*	2,800,000	-	-	(2,800,000)	-
Bill Stubbs**	-	-	-	-	-
Brian Moller	-	-	-	-	-
Vincent Mascolo	-	-	-	-	-
<b>Other Key Management Personnel</b>					
John Roiko ***	-	-	-	-	-
<b>Total</b>	<b>2,800,000</b>	<b>-</b>	<b>-</b>	<b>(2,800,000)</b>	<b>-</b>

\*Ian Levy retired from being a Director on 25 November 2009.

\*\*Bill Stubbs was appointed a Director on 26 November 2009.

\*\*\*John Roiko was appointed Exploration Manager on 15 January 2010

<i>Previous Year</i>	Balance 1 July 2008	Granted as Compensation	Options Exercised	Net Change Other	Balance 30 June 2009
<b>Directors</b>					
Nicholas Mather	-	-	-	-	-
Ian Levy *	320,000	-	-	2,480,000	2,800,000
Brian Moller	-	-	-	-	-
Vincent Mascolo	-	-	-	-	-
Stephen Roberts **	-	-	-	-	-
<b>Total</b>	<b>320,000</b>	<b>-</b>	<b>-</b>	<b>2,480,000</b>	<b>2,800,000</b>

\* Ian Levy participated in a bonus issue of shares and a placement of shares for cash.

\*\* Stephen Roberts was appointed on 25 August 2008 and resigned on 21 January 2009.

"Net Change Other" above includes the balance of shares held on appointment / resignation, and shares acquired for cash.

Mr Karl Schlobohm is the Company Secretary of the Company. Mr Schlobohm is currently remunerated by D'Aguilar Gold Ltd. On listing of AusNiCo on the ASX, the Company will commence remunerating Mr Schlobohm for his duties in his capacity of Company Secretary and CFO of AusNiCo.

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

### NOTE 5. KEY MANAGEMENT PERSONNEL (CONTINUED)

#### (b) Equity Instruments (Continued)

##### Option holdings

Current Year	Balance 1 July 2009	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2010	Total Vested	Total Vested and Exercisable	Total Vested and Unexercisable
<b>Directors</b>								
Nicholas Mather	500,000	-	-	-	500,000	500,000	500,000	-
Ian Levy*	-	-	-	-	-	-	-	-
Bill Stubbs**	-	-	-	-	-	-	-	-
Brian Moller	500,000	-	-	-	500,000	500,000	500,000	-
Vincent Mascolo	500,000	-	-	-	500,000	500,000	500,000	-
<b>Other Key Management Personnel</b>								
John Roiko***	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,500,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,500,000</b>	<b>1,500,000</b>	<b>1,500,000</b>	<b>-</b>

\*Ian Levy retired from being a Director on 25 November 2009.

\*\*Bill Stubbs was appointed a Director on 26 November 2009.

\*\*\*John Roiko was appointed as Exploration Manager on 15 January 2010.

Previous Year	Balance 1 July 2008	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2009	Total Vested	Total Vested and Exercisable	Total Vested and Unexercisable
<b>Directors</b>								
Nicholas Mather	-	500,000	-	-	500,000	500,000	500,000	-
Ian Levy	-	-	-	-	-	-	-	-
Brian Moller	-	500,000	-	-	500,000	500,000	500,000	-
Vincent Mascolo	-	500,000	-	-	500,000	500,000	500,000	-
Stephen Roberts *	-	500,000	-	-	500,000	500,000	500,000	-
<b>Total</b>		<b>2,000,000</b>	<b>-</b>	<b>-</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>-</b>

\* Stephen Roberts was appointed on 25 August 2008 and resigned on 21 January 2009.

There were no shares or options held nominally at 30 June 2010 (2009: nil).

#### (c) Loans to Key Management Personnel

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

#### (d) Other Transactions with Key Management Personnel

Other transactions with Directors are set out in Note 24. There were no other transactions or balances with key management personnel during the period.

### NOTE 6. DIVIDENDS AND FRANKING CREDITS

There were no dividends paid or recommended during the year.

There were no franking credits available to shareholders of the Company.

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

	2010 \$	2009 \$
<b>NOTE 7. AUDITORS REMUNERATION</b>		
Audit / review of financial reports of the Company	29,007	10,000
Taxation services	5,923	3,400
<b>NOTE 8. EARNINGS PER SHARE</b>		
<b>(a) Earnings</b>		
Earnings used to calculate basic and dilutive EPS	(125,038)	(921,091)
<b>(b) Weighted average number of shares and options</b>	<b>2010 Number</b>	<b>2009 Number</b>
Weighted average number of shares outstanding during the year, used in calculating basic earnings per share	90,160,000	88,733,808
Weighted average number of dilutive options outstanding during the year	-	-
Weighted average number of ordinary shares, and potential ordinary shares outstanding during the year, used in calculating dilutive EPS	90,160,000	88,733,808
Options are not considered dilutive as they are currently out of the money. Options may become dilutive in the future.		
	<b>2010 \$</b>	<b>2009 \$</b>
<b>NOTE 9. CASH &amp; CASH EQUIVALENTS</b>		
Cash at bank	82	24,691
<b>NOTE 10. TRADE &amp; OTHER RECEIVABLES</b>		
GST refundable	-	15,861
Other debtors	11,718	2,899
	11,718	18,760
No receivables are impaired or past due.		
<b>NOTE 11. OTHER CURRENT ASSETS</b>		
Prepayments	81,469	-
<b>NOTE 12. OTHER FINANCIAL ASSETS</b>		
Security deposits	34,152	31,614
<b>NOTE 13. PROPERTY, PLANT &amp; EQUIPMENT</b>		
Leased motor vehicle, at cost	39,502	39,502
Accumulated depreciation	(20,895)	(12,995)
Written down value	18,607	26,507
Computer equipment, at cost	495	495
Accumulated depreciation	(384)	(219)
Written down value	111	276
	18,718	26,783

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

### NOTE 13. PROPERTY, PLANT & EQUIPMENT (Continued)

#### Movements in carrying amounts

	Motor Vehicles	Computers & Office Equipment	Total
<b>Current Year:</b>	\$	\$	\$
Balance at the beginning of the year	26,507	276	26,783
Additions	-	-	-
Disposals	-	-	-
Depreciation expenses	(7,900)	(165)	(8,065)
Carrying amount at the end of the year	18,607	111	18,718
<b>Prior Year:</b>	\$	\$	\$
Balance at the beginning of the year	34,407	441	34,848
Additions	-	-	-
Disposals	-	-	-
Depreciation expenses	(7,900)	(165)	(8,065)
Carrying amount at the end of the year	26,507	276	26,783

	2010 \$	2009 \$
<b>NOTE 14. EXPLORATION &amp; EVALUATION ASSETS</b>		
Exploration & evaluation assets	3,242,851	3,059,047

#### Movements in carrying amounts

Balance at the beginning of the year	3,059,047	2,718,780
Addition during year	211,563	456,062
Written-off during year	(27,759)	(115,795)
Carrying amount at the end of the year	3,242,851	3,059,047

Recoverability of the carrying amount of exploration and evaluation assets is dependent on the successful development and commercial exploitation or alternatively, sale of the respective areas of interest.

### NOTE 15. TRADE AND OTHER PAYABLES

Trade creditors	127,359	156,286
Accrued expenses	9,603	-
Employee benefits	3,882	-
Unsecured loan - D'Aguilar Gold Limited	539,145	155,120
	679,989	311,406

The unsecured loan from D'Aguilar Gold Limited is repayable on the ASX-debut of AusNiCo Limited.

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

	2010 \$	2009 \$
<b>NOTE 16. OTHER FINANCIAL LIABILITIES</b>		
<b>Current</b>		
Lease liability - secured	5,460	15,450
<b>Non Current</b>		
Lease liability - secured	-	5,460

Lease liabilities are secured over the assets to which they relate.

### NOTE 17. ISSUED CAPITAL

#### (a) Issued and Paid-up capital

90,160,000 (2009: 90,160,000) ordinary shares fully paid	2,270,001	2,270,001
Share issue costs	(50,000)	(50,000)
	<u>2,220,001</u>	<u>2,220,001</u>

Ordinary shares participate in dividends and the proceeds and the proceeds on winding up the Company in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

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

#### (b) Reconciliation of Issued and Paid-up capital

	Number of Shares	Number of Shares
Balance at beginning of year	90,160,000	80,000,000
Shares issued during the year		
- (i) 5 December 2008	-	8,000,000
- (ii) 26 February 2009	-	2,160,000
At reporting date	<u>90,160,000</u>	<u>90,160,000</u>

- (i) On 5 December 2008, a bonus issue of 8,000,000 shares was made to existing holders for no consideration.
- (ii) On 26 February 2009, 2,160,000 shares were issued at 12.5 cents pursuant to a placement.

#### (c) Options

As at 30 June 2010, there were 22,000,000 unissued ordinary shares of AusNiCo Ltd under option, held as follows:

- 20,000,000 unlisted options to take up one ordinary share in Ausnico Ltd (issued to D'Aguilar Gold Ltd) at an issue price of 30 cents. The options expire 19 November 2013.
- 2,000,000 unlisted options to take up one ordinary share in Ausnico Ltd (issued to Ausnico Directors) at an issue price of 30 cents. The options expire 19 November 2013.

#### (d) Capital Risk Management

Management controls the capital of the Company in order to maintain a good debt to equity ratio and to ensure that the Company can fund its operations and continue as a going concern.

The Company's capital comprises equity as shown in the statement of financial position. The Company is not subject to externally imposed capital requirements.

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

### NOTE 18. RESERVES AND SHARE BASED PAYMENTS

On 5 December 2008, 2,000,000 Ausnico share options were granted to Ausnico Directors. The options are to take up one ordinary share in Ausnico at a price of 30 cents each. The options vested immediately and are due to expire on 19 November 2013. An amount of \$189,388, calculated using the Black Scholes valuation methodology (refer below), was treated as share based payments expense in the Profit & Loss.

On 5 December 2008, 20,000,000 Ausnico share options were granted to AusNiCo's parent company D'Aguilar Gold. The options are to take up one ordinary share in Ausnico at a price of 30 cents each. The options vested immediately and are due to expire on 19 November 2013. An amount of \$1,893,880, calculated using the Black Scholes valuation methodology (refer below), was recognised in the option reserve account.

Note	2010 \$	2009 \$
Balance at the beginning of year	2,083,268	-
Options issued to shareholder	-	1,893,880
Options issued to Directors	-	189,388
Balance at the end of year	<u>2,083,268</u>	<u>2,083,268</u>

These values were calculated by using a Black-Scholes options pricing model applying the following inputs:

	Share Based Payments	Option Issued to Shareholder
Weighted average exercise price	\$0.30	\$0.30
Weighted average life of the option	5 yrs	5 yrs
Underlying share price	\$0.12	\$0.12
Expected share price volatility	121%	121%
Risk free interest rate	3.85%	3.85%
Number of options issued	2,000,000	20,000,000
Value (Black-Scholes) per option	\$0.095	\$0.095
Total value of options issued	<b>\$189,388</b>	<b>\$1,893,880</b>

Historical volatility of similar listed securities was the basis for determining expected share price volatility.

The life of the options is based on the term to expiry.

The number of options outstanding at 30 June 2010 is as follows:

	2010 Number of Options	2009 Number of Options
Opening balance	22,000,000	-
Issued during the year	-	22,000,000
Closing balance	<u>22,000,000</u>	<u>22,000,000</u>
Held by D'Aguilar Gold	20,000,000	20,000,000
Held by Directors	2,000,000	2,000,000
Closing balance	<u>22,000,000</u>	<u>22,000,000</u>



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

	Note	2010 \$	2009 \$
<b>NOTE 19. RETAINED PROFITS / ACCUMULATED LOSSES</b>			
Accumulated losses at the beginning of the year		(1,474,690)	1,340,281
Options issued to shareholder	18	-	(1,893,880)
Losses after income tax expense		(125,038)	(921,091)
Accumulated losses attributable to members of Ausnico Limited at the end of the year		(1,599,728)	(1,474,690)
<b>NOTE 20. CASH FLOW INFORMATION</b>			
<b>Reconciliation of Cash Flow from Operations with Profit/(Loss) after Income Tax</b>			
Profit/(loss) after income tax		(125,038)	(921,091)
Non-cash operating items:			
Write back of exploration expenditure		27,758	115,795
Share based payments		-	189,388
Depreciation		8,065	8,065
Change in operating assets and liabilities:			
(Increase)/decrease in other assets		(81,469)	322
(Increase)/decrease in trade and other receivables		7,042	12,055
Increase/(decrease) in trade payables and accruals		(15,442)	(203,932)
Cash flow from operations		(179,084)	(799,398)

### NOTE 21. SUBSEQUENT EVENTS

On 4 August 2010, the Company lodged a Replacement Prospectus with the Australian Securities and Investments Commission in connection with the Initial Public Offer (IPO) of the Company's shares on the ASX. The Company closed the offer on 1 October, having successfully raised \$4,000,000 via the issue of 20,000,000 ordinary shares at \$0.20 (each with a free attaching 20 cent option). The Company proposes to use the funds raised for the following purposes:

Meeting the costs of the IPO	\$420,000
Reimbursement of D'Aguilar	\$550,000
Exploration budget	\$2,000,000
Administration budget	\$900,000
Working capital	\$130,000

On 1 September 2010, options were issued pursuant to the Company's Employee Option Plan, and as set out in the Company's Prospectus as follows:

Managing Director	2,500,000	20 cents through to 31 July 2012
Company Secretary	400,000	20 cents through to 31 July 2012
Exploration Manager	200,000	20 cents through to 31 July 2012

Mr John Downie has been contracted to join the Company as CEO and Managing Director upon the Company's debut on the ASX. Similarly, Mr Stephen Roberts has agreed to join the Board as a Non-Executive Director, replacing Mr Vince Mascolo upon the Company's debut on the ASX.

On 1 October 2010, the Company successfully closed its IPO raising, and is progressing to its ASX listing, which is anticipated to be on 21 October 2010.

There have been no other events since 30 June 2010 that impact upon the financial report as at 30 June 2010.

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

### NOTE 22. CAPITAL & LEASING COMMITMENTS

#### (a) Future Exploration Commitments

The Company is expected to have certain obligations to expend minimum amounts on exploration in tenement areas. These obligations may be varied from time to time and are expected to be fulfilled in the normal course of operations of the Company. The expected commitments to be undertaken are as follows:

	2010 \$	2009 \$
Less than 12 months	1,070,000	586,402
Between 12 months and 5 years	784,000	1,177,610
	<u>1,854,000</u>	<u>1,764,012</u>

To keep tenements in good standing, work programs should meet certain minimum expenditure requirements. If the minimum expenditure requirements are not met, the Company has the option to negotiate new terms or relinquish the tenements. The Company also has the ability to meet expenditure requirements by joint venture or farm-in agreements.

	2010 \$	2009 \$
<b>(b) Lease Expenditure Commitments</b>		
Finance leases:		
- Not later than one year	5,807	16,680
- Later than one year and not later than five years	-	5,560
- Later than five years	-	-
Total minimum lease payments	<u>5,807</u>	<u>22,240</u>
- Future finance charges	<u>(347)</u>	<u>(1,330)</u>
- Lease liability	<u>5,460</u>	<u>20,910</u>
- Current liability	5,460	15,450
- Non-current liability	-	5,460
	<u>5,460</u>	<u>20,910</u>

### NOTE 23. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Directors are not aware of any contingent assets or contingent liabilities at the date of this report.

### NOTE 24. RELATED PARTIES

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

#### (a) Parent and ultimate controlling entity

The parent entity and ultimate controlling entity of the Company is D'Aguilar Gold Ltd which is incorporated in Australia. During the year ended 30 June 2010, the Company was advanced a net amount of \$384,025 (2009: \$155,120) from D'Aguilar Gold Ltd, in relation to its exploration and administrative costs. As at 30 June 2010, the balance of the Company's loan from D'Aguilar Gold Ltd was \$539,145 (2009: \$155,120). The loan is repayable to D'Aguilar on the ASX listing of AusNiCo.

#### (b) Transactions with Directors and Director-Related Entities

During the year, legal services were provided by a firm of which Brian Moller is a partner. The amount incurred for the year was \$64,389 (2009: \$97,233). The amount outstanding at year end was \$60,368 (2009: \$42,111).

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

### NOTE 25. FINANCIAL RISK MANAGEMENT

#### (a) General objectives, policies and processes

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in this note.

The Company's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans & leases.

The Board has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Company's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Company where such impacts may be material.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below:

#### (b) Credit Risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Company incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Company. The Company's objective is to minimise the risk of loss from credit risk exposure.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognise financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Credit risk is reviewed regularly by the Board and the audit committee. It arises from exposure to customers (receivables) as well as through deposits with financial institutions and available-for-sale financial assets.

The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Company and at Balance Date.

#### (c) Liquidity Risk

Liquidity risk is the risk that the Company may encounter difficulties raising funds to meet financial obligations as they fall due. The objective of managing liquidity risk is to ensure, as far as possible, that the Company will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions.

Liquidity risk is reviewed regularly by the Board and the audit committee.

The Company manages liquidity risk by monitoring forecast cash flows and liquidity ratios such as working capital. The Company did not have any financing facilities available at balance date.

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

### NOTE 25. FINANCIAL RISK MANAGEMENT (Continued)

#### (d) Market Risk

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk). The entity does not have any material exposure to market risk other than interest rate risk.

#### Interest rate risk

Interest rate risk arises principally from cash and cash equivalents. The objective of interest rate risk management is to manage and control interest rate risk exposures within acceptable parameters while optimising the return.

Interest rate risk is managed with a mixture of fixed and floating rate debt. For further details on interest rate risk refer to the tables below:

	Floating interest rate	Fixed interest rate	Non-interest bearing	Total carrying amount as per the balance sheet	Weighted average effective interest rate
	2010 \$	2010 \$	2010 \$	2010 \$	2010 %
<b>(i) Financial assets</b>					
Cash and cash equivalents	82	-	-	82	4.50%
Trade and other receivables	-	-	11,718	11,718	-
Other financial assets	-	-	34,152	34,152	2.00%
<b>Total financial assets</b>	<b>82</b>	<b>-</b>	<b>45,870</b>	<b>45,952</b>	
<b>(ii) Financial liabilities</b>					
Trade and other payables (current)	-	-	140,844	140,844	-
Unsecured loan	-	-	539,145	539,145	
Other financial liabilities	-	5,460	-	5,460	8.85%
<b>Total financial liabilities</b>	<b>-</b>	<b>5,460</b>	<b>679,989</b>	<b>685,449</b>	

	Floating interest rate	Fixed interest rate	Non-interest bearing	Total carrying amount as per the balance sheet	Weighted average effective interest rate
	2009 \$	2009 \$	2009 \$	2009 \$	2009 %
<b>(i) Financial assets</b>					
Cash and cash equivalents	24,691	-	-	24,691	4.50%
Trade and other receivables	-	-	18,760	18,760	-
Other financial assets	-	-	31,614	31,614	-
<b>Total financial assets</b>	<b>24,691</b>	<b>-</b>	<b>50,374</b>	<b>75,065</b>	
<b>(ii) Financial liabilities</b>					
Trade and other payables (current)	-	-	156,286	156,286	-
Unsecured loan	-	-	155,120	155,120	-
Other financial liabilities	-	20,910	-	20,910	8.85%
<b>Total financial liabilities</b>	<b>-</b>	<b>20,910</b>	<b>311,406</b>	<b>332,316</b>	

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

### **NOTE 26. SEGMENTS**

The Company has identified its operating segment based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Company is managed primarily on a geographic basis, that is the location of the respective areas of interest (tenements) in Queensland, Australia. Operating segments are determined on the basis of financial information reported to the Board for the Company as a whole. The Company does not yet have any products or services from which it derives an income.

Accordingly, management currently identifies the Company as having only one reportable segment, being exploration for base and precious metals. There have been no changes in the operating segments during the year. Accordingly, all significant decisions are based on analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company.

**AUSNICO LIMITED**  
**DIRECTORS' DECLARATION**

The Directors of the Company declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the Company's financial position as at 30 June 2010 and of its performance for the year ended on that date.
2. The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
4. The remuneration disclosures included in the Directors' Report (as part of the audited Remuneration Report) for the year ended 30 June 2010, comply with section 300A of the *Corporations Act 2001*.
5. The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors.



Nicholas Mather  
Director

Brisbane

Date: 15 October 2010

## INDEPENDENT AUDITOR'S REPORT

To the members of AusNiCo Limited

We have audited the accompanying financial report of AusNiCo Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

## **Independence**

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001 would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

## **Auditor's Opinion**

In our opinion:

- A. the financial report of AusNiCo Limited is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- B. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

## **Emphasis of Matters on Uncertainties Regarding Going Concern and Carrying Value of Exploration and Evaluation Expenditure**

Without qualification to the opinion expressed above, we draw attention to the matters set out in Note 1. The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. This includes the realisation of capitalised exploration and evaluation expenditure of \$3,242,851 (30 June 2009: \$3,059,047) as summarised in Note 14. The ability of the company to maintain continuity of normal business activities, to pay their debts as and when they fall due and to recover the carrying value of their capitalised exploration and evaluation expenditure, is dependent upon the ability of the company to successfully raise additional capital and/or the successful exploration and subsequent exploitation of their areas of interest through sale, farm-in or development.

No adjustments have been made to the carrying value of assets or recorded amount of liabilities should the company's plans not eventuate.

## **Report on the Remuneration Report**

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





## Auditor's Opinion

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

BDO Audit (Qld) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Damian Wright', is written over a faint, stylized 'BDO' logo.

Damian Wright

Director

Brisbane, 15 October 2010