

AUSNICO LIMITED

ABN: 84 122 957 322

ANNUAL REPORT 2011



CONTENTS

CORPORATE INFORMATION	3
CHAIRMAN'S REPORT	4
REVIEW OF OPERATIONS	5
DIRECTORS' REPORT	18
AUDITORS INDEPENDENCE DECLARATION	28
SHAREHOLDER INFORMATION	29
INTEREST IN TENEMENTS	31
CORPORATE GOVERNANCE STATEMENT	32
STATEMENT OF COMPREHENSIVE INCOME	36
STATEMENT OF FINANCIAL POSITION	37
STATEMENT OF CHANGES IN EQUITY	38
STATEMENT OF CASH FLOWS	39
NOTES TO THE FINANCIAL STATEMENTS	40
DIRECTORS' DECLARATION	63
INDEPENDENT AUDITORS' REPORT	64

CORPORATE INFORMATION

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Brian Moller
John Downie
Nicholas Mather
Stephen Roberts
Ben Harrison

COMPANY SECRETARY

Karl Schlobohm

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COUNTRY OF INCORPORATION

Australia

STOCK EXCHANGE LISTING

Australian Securities Exchange Ltd
ASX Code: ANW

INTERNET ADDRESS

www.ausnico.com.au

AUSTRALIAN BUSINESS NUMBER

ABN 84 122 957 322

CHAIRMAN'S REPORT

Dear Shareholder

It has almost been a full twelve months since the Company made its ASX debut on 21 October 2010.

Since that time, AusNiCo has undertaken geophysical techniques and identified disseminated sulphides in the Black Snake Plateau Region, expanded nickel sulphide potential at Pembroke and Mt Cobalt, expanded copper-silver sulphide potential at Silver Valley, identified a new, previously unknown gold target at East Kilkivan, confirmed low arsenic in nickel concentrate, and confirmed that nickel sulphide flotation recovery works.

Over the past 12 months, detailed planning and access to specialized drilling equipment allowed the Company to accelerate all exploration activities on the Black Snake Plateau, and while this increased the direct exploration costs, it resulted in a 27% reduction in overhead allocation for the program. The additional drilling activity at Silver Valley resulted in 5,521m of actual drilling completed as compared to the plan of 5,200m. As a consequence of the successful application of Induced Polarization (Geophysical Survey Technique) the Company extended the survey area considerably in order to firm up drill targets at Pembroke, Silver Valley, Mt Cobalt/Mt Coora and The Peak.

As recently announced, the Company has been successful in securing funding of at least \$1.4 million by way of an \$800,000 private placement and a Shareholder Share Placement Plan underwritten to \$600,000. Together with support from major shareholder D'Aguilar Gold Limited and the Company's Board and Management agreeing to the conversion of certain financial obligations to equity, this underpins the Company's future work program.

From an exploration viewpoint, the funds raised will be used by the Company to further its exploration and development efforts on its suite of tenement interests in Queensland and New South Wales, which are prospective for nickel, copper, silver and gold. Exploration activities for the next 12 months include:

- Drilling sulphide targets at Mt Cobalt, The Peak, Mt Clara;
- Drilling East Kilkivan gold target;
- Define drill targets at the major exploration regions of Marlborough, Koonenberry; and
- Regional advancement at Kandanga, Mt Slopea.

I would like to thank you for your on-going support for the Company, and I look forward to bringing you the results of these exploration initiatives over the course of the next six to twelve months.

Yours sincerely



Brian Moller
Chairman

REVIEW OF OPERATIONS

About AusNiCo

AusNiCo Limited (“AusNiCo” or the “Company”) was incorporated on 1 December 2006 as a wholly owned subsidiary of ASX-listed D’Aguilar Gold Ltd (“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 was listed on the Australian Securities Exchange (“ASX”) on 21 October 2010 and raised \$4,000,000 for the furtherance of its corporate and exploration objectives.

AusNiCo is focusing on the continued exploration and development of its nickel sulphide discoveries in the Black Snake Plateau at Pembroke and Mt. Cobalt Prospects, which has already returned an exploration drilling result of +180m @ 0.25% Ni, including 4m @ 1.1% Ni. At the Pembroke Prospect, AusNiCo has reported Gold-Copper intersections of 21m @ 1% Cu and 2.1g/t gold. Silver Valley has also reported intersections of 21m @1% Cu and 99g/t Silver.

Achievements and Initial Exploration Results

Further Nickel intersections at Pembroke Prospect

- 4,280m of drilling completed with extensions to existing mineralized zone.

Silver-Copper potential expanded at Silver Valley

- 1,241 m of drilling completed over only 500m of the total 5,000 m prospective length.

IP Techniques identify New Targets

- Drill targets identified (Mt Cobalt, Mt Clara, Mt Coora, The Peak) using geophysics to support existing geochemistry.

New Gold target at East Kilkivan.

- Large anomalous Au soil (15.7g/t max) identified.

Marlborough South a New Nickel Sulphide Target.

- Equivalent magnetic stratigraphy to Marlborough Nickel Project.
- Stream sediments up to 0.45% Ni.

New Nickel ground near Broken Hill.

- Highly prospective tenements granted at Koonenberry near Broken Hill NSW.

Metallurgical test-work successful.

- Confirmed low Arsenic in Nickel sulphide concentrate.
- Simple flotation process will recover Ni sulphides.

The geophysical surveys at the Silver Valley Prospect and Mount Clara/Mount Coora environs identified a number of resistive and chargeable responses indicative of disseminated sulphide mineralisation.

Broad nickel intersections of 116m @ 0.29% Ni (previously reported) at Pembroke has already established the potential for a large open cut mineable region of mineralisation and the recent Reverse Circulation “RC” drilling has further delineated potentially open pit nickel, copper and gold mineralisation in the highly anomalous area.

Review of Operations (continued)

Results from the Reverse Circulation “RC” drilling at Pembroke and Silver Valley report the following significant intercepts:

Pembroke Nickel

- (38-150m) 112m @ 0.27% Ni, incl (74-122m) 48m @ 0.4% Ni, and (92-98m) 6m @ 1.3% Ni, 517ppm Co, 0.17% Cu;
- (36-145m); 109m @ 0.22% Ni, incl (62-80m) 18m @ 0.4% Ni;
- (66-122m); 56m @ 0.21% Ni;
- (16-60m) 44m @ 0.21%Ni incl (34-38m) 4m @ 0.35% Ni, (52-54m) 2m@0.43g/t Au, (86-88m) 2m @ 0.9g/t Au;
- (48-60m) 12m @ 0.39% Ni.

Pembroke Gold Copper

- (92-108m); 18m @ 1.2g/t Au; incl (98-100m) 2m @ 7.64g/t Au;
- (142-150m); 8m @ 0.5g/t Au, 0.19%Ni, 0.39%Cu, 2.2g/t Ag;
- (164-168m); 4m @ 1.3g/t Au, 1.06% Cu, 12.6g/t Ag.

Silver Valley

As previously reported significant tonnage targeted with mapped surface gossan outcrop over a length of 500 metres and near surface intersections returned 21.0m @ 1.0% Cu, 99 g/t Ag; including 1.5m @ 6.2% Cu and 582 g/t Ag.

Silver Valley Copper-Silver intersections from current RC program are as follows:-

- (24-38m) 14m @ 6.2g/t Ag incl (30-32m) 2m @ 24g/t Ag, 0.2% Cu;
- (30-40m) 10m @ 22g/t Ag, 0.13% Cu;
- (112-182m) 70m @ 7.9g/t Ag, 0.06% Cu.

Extensive tenements holding with Nickel Focus

AusNiCo’s tenement applications covering ~4,500 sq. km within the highly prospective Koonenberry Belt 100km NE of Broken Hill in NSW has been granted. Prospectivity mapping indicates that the tenements are prospective for epithermal and Volcanic-Hosted Massive Sulphides (VHMS) styles of mineralisation with potential for orogenic gold mineralisation and nickel sulphides.

At listing (October 2010) the company held 12 granted EPM’s in Queensland. Since October 2010, two applications have been granted and an additional 11 Mineral Exploration applications have been lodged in Queensland and New South Wales. The Marlborough South tenement was awarded under priority application to AusNiCo and it is strategically located adjacent to the large nickel laterite Marlborough Nickel Mine.

The new areas under application include a large area (6 tenements) adjacent to Carpentaria Explorations Ltd in the Koonenberry Belt north of Broken Hill, an area just north of Cloncurry (3 tenements) adjacent to Xstrata and 2 tenements at Emerald and Greenvale.

Review of Operations (continued)



Figure 1. AusNiCo Tenements in NSW and QLD

Pembroke RC Drilling

The Pembroke Prospect remains open to the west and north and at depth, offering potential to double the size of the mineralized system. Nickel sulphide potential at Ridley's and Mt Cobalt Prospects remains open.

- A 4,280 metre drilling campaign has been completed at Pembroke to further define the extent of mineralization and tonnage potential of this Prospect.
- Mineralisation occurs over a 200m by 100m system to a depth of up to 180m.
- Results support extensions to the large low grade nickel sulphide mineralised system at Pembroke with a maximum 181m intersection at 0.25% Ni. (PEMD1) This hole (PEMD1) also returned 21m @ 1.04% Cu, 2.09g/t Au and 145 ppm Co which is equivalent to an average nickel grade across the overall hole (181m) of 0.36% Ni (at LME Nickel and LMB Cobalt spot price on 22 July 2011).

The drill program at Pembroke moves AusNiCo closer to establishing the tonnage potential in the Blake Snake Region at Pembroke, Silver Valley and the nearby Mt. Clara/Mt. Coora Prospect.

Review of Operations (continued)

Results of this drilling campaign are encouraging and contribute to an increase in the area of nickel sulphide mineralisation at the Pembroke Prospect.

The recent Pole-Di-Pole Induced Polarisation “IP” survey identified a number of new disseminated sulphide targets which have been drill tested during this RC program. Chargeability anomalies were drill tested and found to be coincident with zones of disseminated sulphide mineralization, several of which were nickeliferous. Significant gold and copper zones are also evident at the Pembroke Prospect and further drill testing is required to reconcile the dimensions of this system. The near surface mineralisation did not produce a discernable IP response.

Results from the significant intersections are reported below:

- **PEMD1:** (18-39m) 21m @ 1.04% Cu, 2.09g/t Au and the entire sulphide zone 181m @ 0.37% equivalent nickel (equivalent Ni based on LME spot prices on 2 August 2011)
- **PEMD2:** (203-205m) 2m @ 1.5% Cu, 1.6g/t Au, 17g/t Ag and 436 ppm Co.
- **PEMD3:** 74-152m) 78m @ 0.27% Ni, 147ppm Co.
- **PEMD4:** (34-100m) 66m @ 0.29% Ni & (26-34m) 7m @ 2.1g/t Au, 0.68% Cu & 4.8g/t Ag.
- **PEM 5:** (66-122m); 56m @ 0.21% Ni;
- **PEM 6:** (126-162m); 36m @ 0.2% Ni (Including: 152-154m; 2m @ 0.3% Ni);
- **PEM 7:** (164-168m); 4m @ 1.3g/t Au, 1.06% Cu, 12.6g/t Ag;
- **PEM 8:** (132-150m); 18m @ 0.18%Ni, 0.4g/t Au, 0.25%Cu, 1.5g/t Ag; (142-150m); 8m @ 0.19%Ni, 0.5g/t Au, 0.39%Cu, 2.2g/t Ag;
- **PEM 10:** (36-145m); 109m @ 0.22% Ni, including(62-80m); 18m @ 0.4% Ni, also including: (62-70m); 8m @ 0.54% Ni;
- **PEM 11:** (38-150m) 112m @ 0.27% Ni, including (74-122m) 48m @ 0.4% Ni, and including (84-106m) 22m @ 0.62% Ni, and including (92-98m) 6m @ 1.3% Ni, 517ppm Co, 0.17% Cu;
- **PEM 14:** (92-108m); 18m @ 1.27g/t Au incl (98-100m) 2m @ 7.98g/t Au;
- **PEM16:** (16-60m) 44m @ 0.21%Ni including (34-28m) 2m @ 0.35% Ni, (52-54m) 2m@0.43g/t Au, 1.26g/t Ag;
- **PEM17:** (4-112m) 108m @ 0.2% Ni, including (48-60m) 12m @ 0.39% Ni.

Silver Valley RC Drilling

Geophysical techniques applied at Silver Valley Prospect have identified a potentially large copper-silver mineralised system. Assay results support semi-massive silver/copper mineralisation previously discovered in SVGD1 and 2, and confirms the exploration model at Silver Valley.

The mineralised zone at Silver Valley remains open to the north at the Peak Prospect, south at Ridley’s and at depth and has potential to extend over 5km of prospective length.

A 1,241 metre drill program has now been completed at the Silver Valley Prospect. This follows the recent Induced Polarisation “IP” survey over the area which identified a number of new targets to the south which were tested during this RC program.

A series of drill holes have been completed (SVDG1 to SVDG2 and SVG3 to SVG 11). Drilling has so far only covered a small area (600m along strike) within the previously defined 5 km long Ag-Cu soil anomalous region.

Review of Operations (continued)

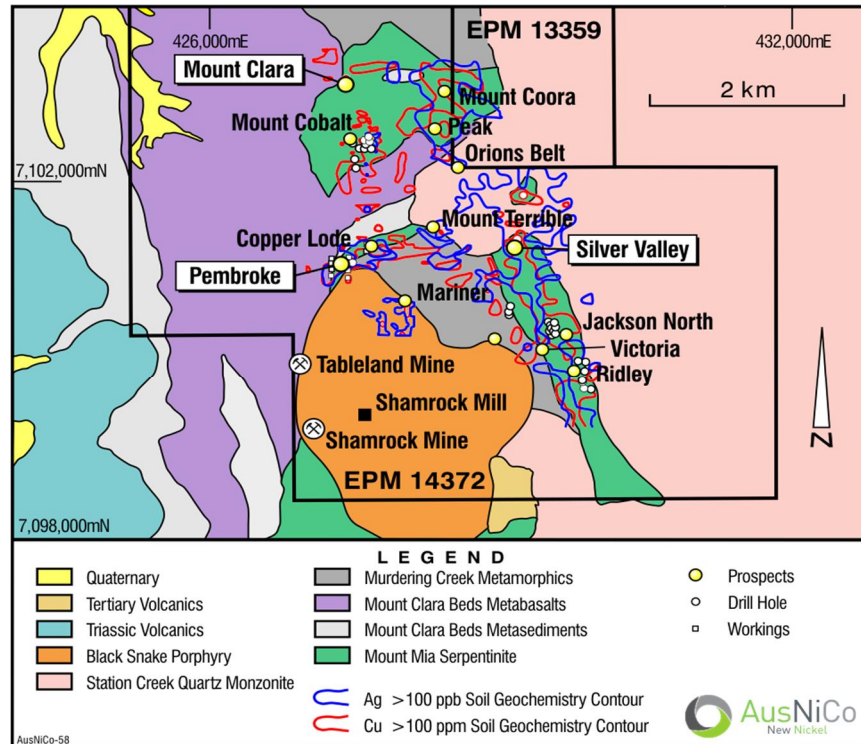


Figure 2. Location of the Silver Valley Prospect and the extended anomalous soil Cu Ag zone.

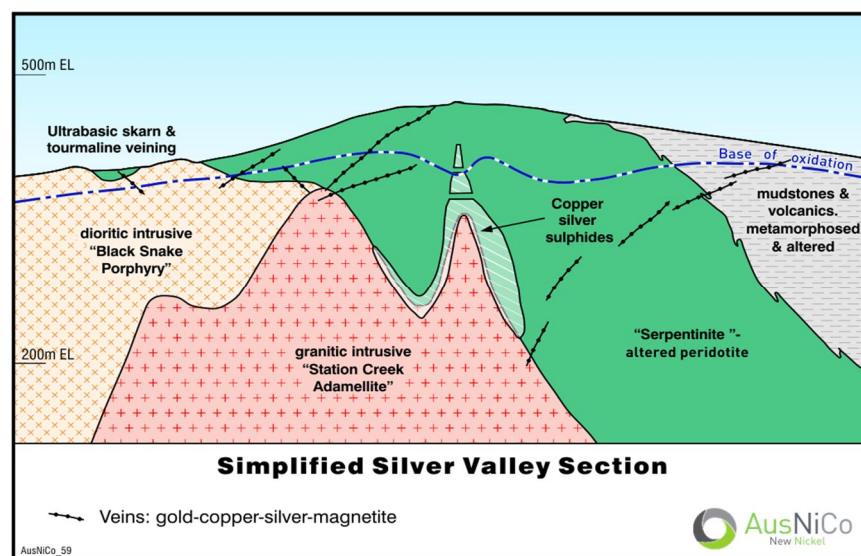


Figure 3. Simplified Model of the Geological setting at Silver Valley.

Review of Operations (continued)

Results from the only significant intersections are reported below:-

- SVDG 1: (29-50m) 21m @ 1% Cu, 99g/t Ag
- SVDG2: (50-58m) 8m @ 0.1% Cu, 89g/t Au and 0.34g/t Au.
- SVG 3A: (91-107m) 16m @ 1.27g/t Ag;
- SVG 4: (24-38m) 14m @ 6.2g/t Ag incl (30-32m) 2m @ 24g/t Ag, 0.2% Cu;
- SVG 8: (30-40m) 10m @ 22g/t Ag, 0.13% Cu;
- SVG 11: (112-184m) 70m @ 7.9g/t Ag, 0.06% Cu.

Where there is no assay reported the intersection was not considered significant in that section of the hole.

Preliminary drilling of the 300m wide IP anomaly encountered in the southern two survey lines revealed abundant sulphides (dominantly pyrite) associated with the altered contact aureole between the Mt Mia Serpentinite (Greenstone) and underlying Station Creek Adamellite (Granite). Of note, SVG 11 intersected mineralisation from 112m down hole. The hole was stopped at 184 m, still in mineralisation. Elevated silver mineralisation was evident in SVG 11, in the altered serpentinite above the contact (112-164m) and within the Quartz Adamellite (164-184m) and is still open at depth. IP responses correlate with higher As, Cu, Pb and S grades indicating the IP response is reflecting the distribution of sulphides (As, Cu, Pb and S have been selected as pathfinders as they have the largest influence on chargeability).

The drill results confirm that the mineralisation is open to the north, south and at depth. Further analysis and drilling is planned to better define the Silver Valley Prospect over its 5km prospective length south of the Peak Copper -Silver Prospect and north of the Ridleys's Prospect.

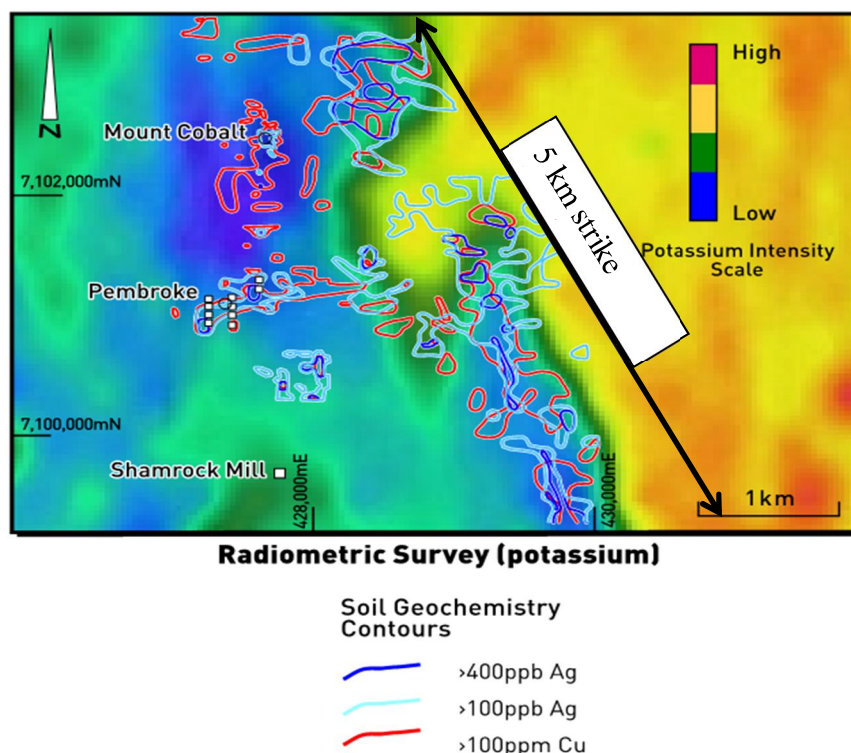


Figure 4. Potential Strike length of Silver Valley mineralization.

Review of Operations (continued)

Mount Cobalt/Mount Clara/Mount Coora Project.

The previously reported 96m (COB 11D: 96m @ 0.59% Ni and 300ppm Co) intersection in the exposed nickel oxide zone at Mt Cobalt provides strong evidence that this large system overlies hydrothermal nickel sulphides. Earlier interpretation that the Pembroke nickel mineralisation dips to the north below Mt Cobalt is still current and deep drilling at Mt Cobalt remains as a high priority target to be tested.

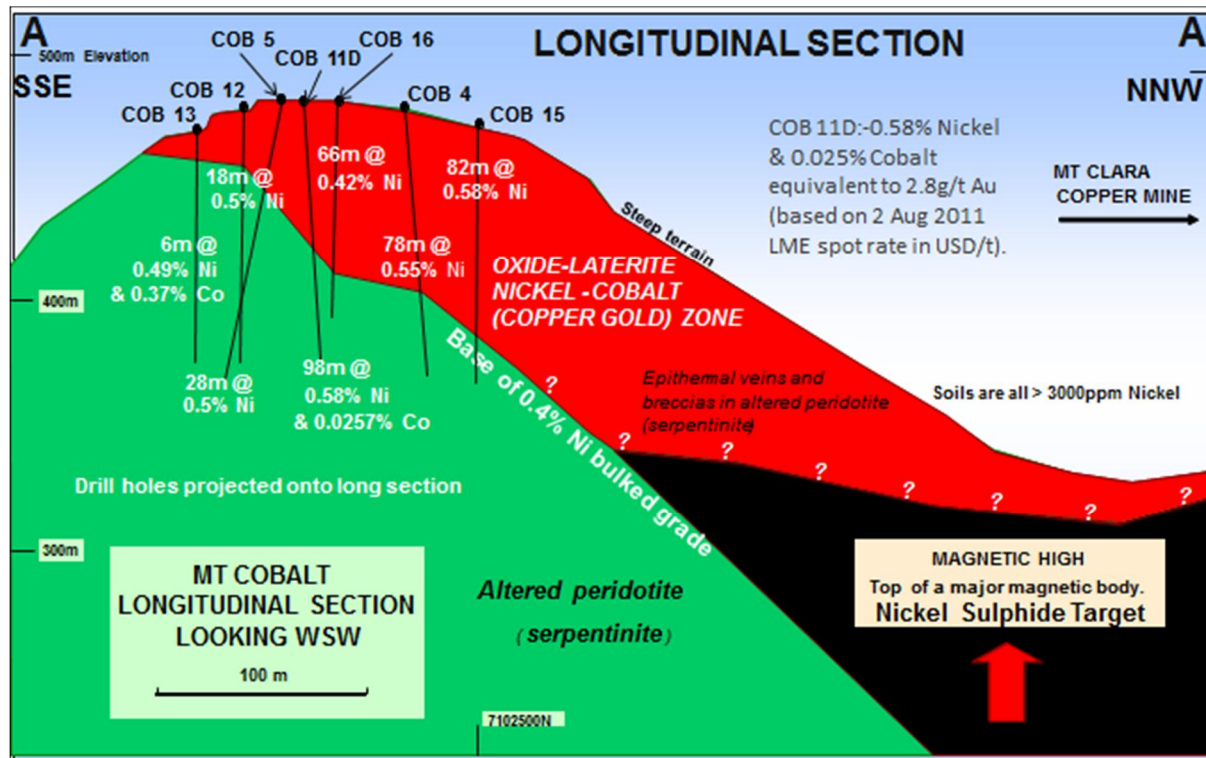


Figure 5. Geological interpretation of Mt Cobalt mineralization and potential for underlying Ni sulphides

In conjunction with the generated magnetic targets possibly representing magnetite-Ni sulphide mineralisation to the north of Mount Cobalt, 2 discrete pole-dipole IP anomalies and a broader chargeable response from a completed 3 sq. km gradient array IP survey have been selected for follow-up detailed geochemical sampling and drill testing. Drill pads have been constructed to:

- Evaluate Ni-sulphide potential immediately north of Mount Cobalt as outlined in the prospectus;
- Identify source of the pole-dipole chargeable response on Rossmore Road north of Mount Clara immediately north of strong magnetic anomaly and proximal to regional serpentinite contact with metasediments ;
- Identify source of deep pole-dipole chargeable and conductivity response and Cu-Ag-Zn anomalies near the historic Peak Cu-Ag Mine; and
- Identify source of Gradient Array chargeable response north of Mount Coora Copper Mine straddling the serpentinite/metasediment contact where mapping has identified brecciation indicative of good structural preparation for anticipated Ni-S mineralisation, particularly with the proximity of tourmaline veined younger granites to the northeast.

Review of Operations (continued)

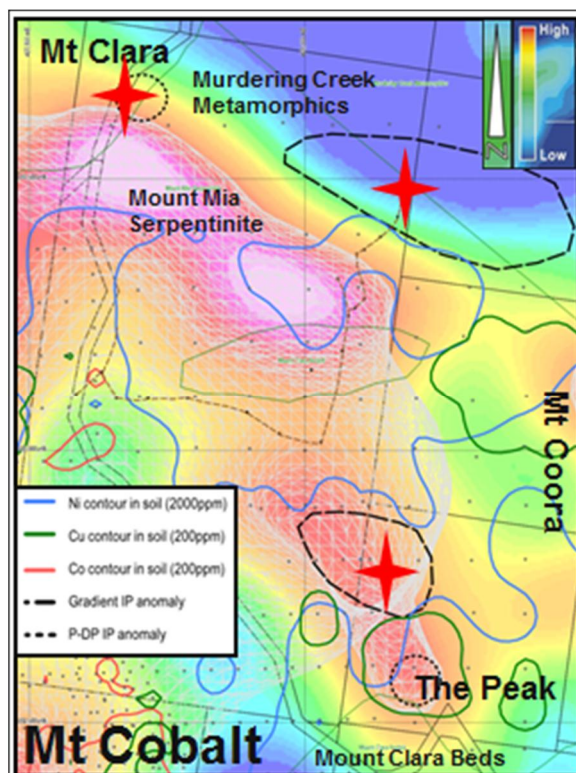


Figure 6: Combined Chargeability image of the three gradient array blocks with the location of drill targets.

Metallurgical Test-work

Further metallurgical test-work confirms that nickel sulphides from the Pembroke Prospect are recoverable by flotation. A range of samples (varied grades) have been subjected to flotation tests and we are encouraged by the results. Arsenic levels are low in the concentrate produced from these preliminary tests. Low impurity concentrate is sought after and generally attracts a premium pricing from the smelters.

The flotation tails (residue from the flotation process) have been analysed and found to contain disseminated pentlandite and volarite (nickel sulphides) which can be recovered with retreatment. This aspect of the metallurgical test work is important as it will allow higher recoveries to be achieved at the lower head grades.

Review of Operations (continued)

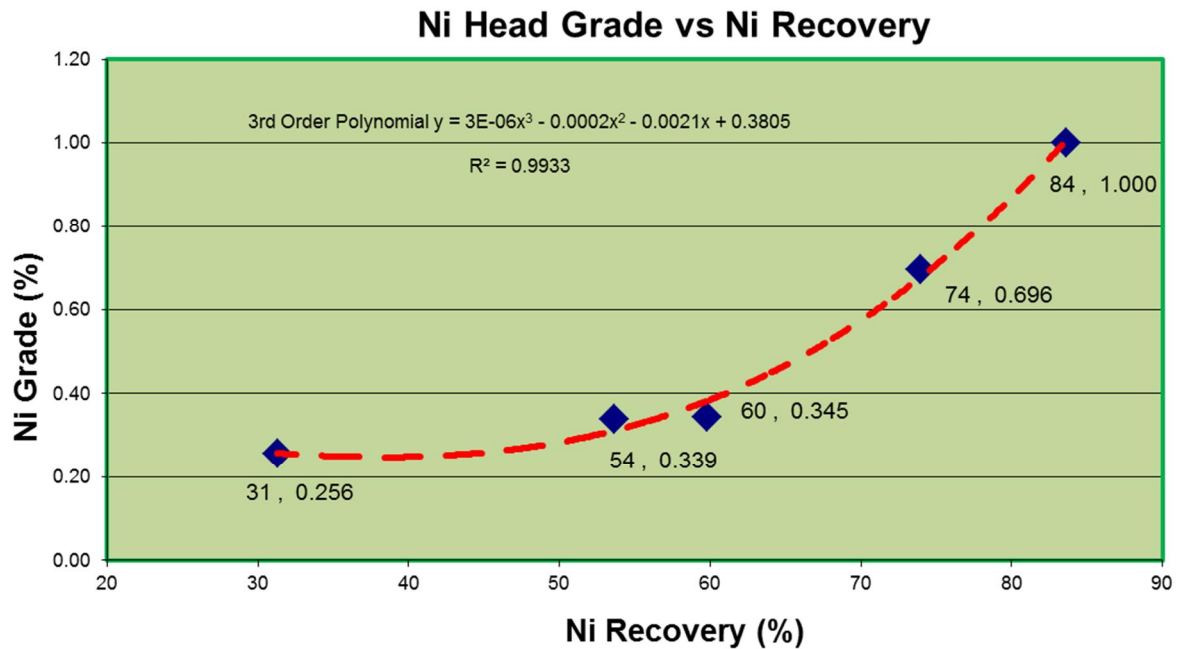


Figure 9. Range of nickel head grades compared to nickel recovery

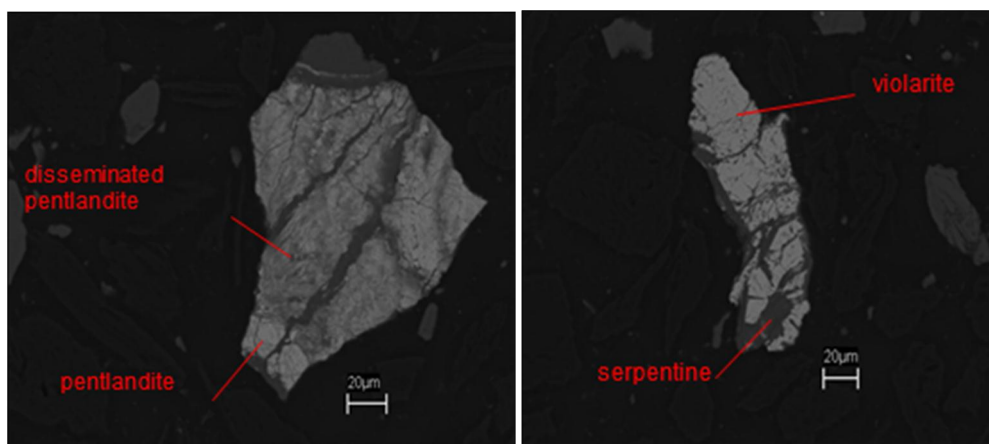


Figure 10. QEMSCAN (scanning electron microscope) showing mineralogical images of nickel sulphide flotation tailings. (this technique allows streamlining of metallurgical processes)

Review of Operations (continued)

Regional Advancement

A major geochemical survey and detailed field mapping was completed following strongly anomalous gold in soils found at the East Kilkivan tenement near an historic alluvial working. Preliminary drill testing of regional prospects at Boyne River south of Mundubbera and Poperima Creek south-east of Monto was also completed.

Kilkivan East EPM 13359

The 15.7g/t gold soil assay was very encouraging making this discovery a high priority for a follow on detailed exploration program.

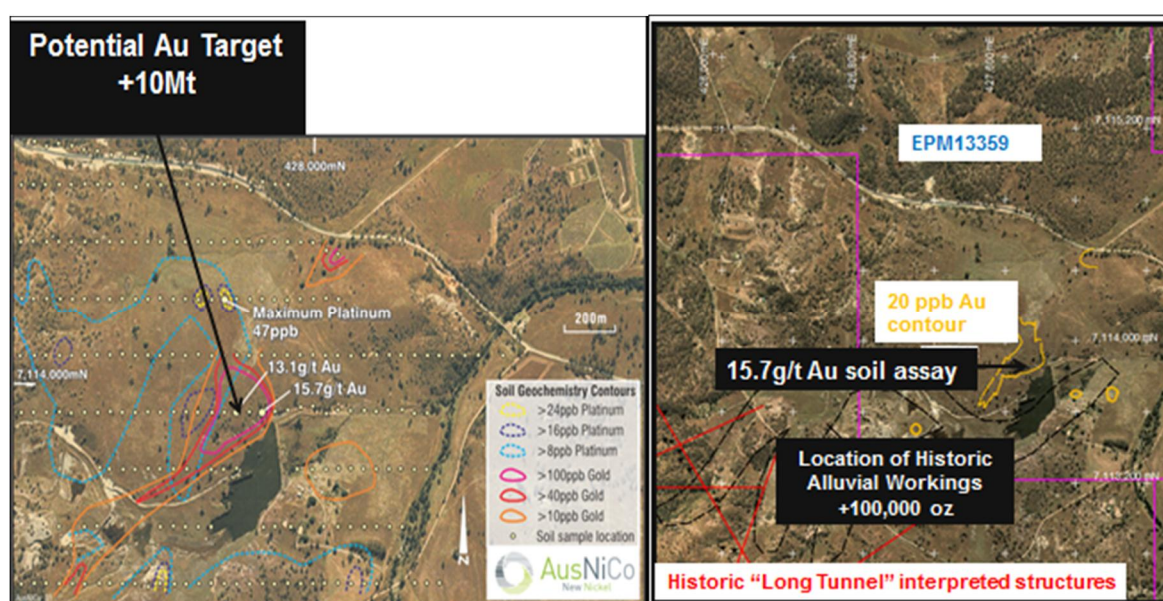


Figure 11. East Kilkivan Prospect, with geological structure lines, location of historic alluvial workings and geochemistry contours (Au @>20ppb).

Field mapping has now been completed at East Kilkivan in order to better define the strong gold anomalism previously reported. (max soil assay up to 15.7g/t) While outcrop is sparse, both felsic (monzonitic) and mafic (gabbroic) dyke emplacement with accompanying shearing and brecciation of the local serpentinite was evidenced in the area. A program of shallow trenching and comprehensive rock sampling is proposed prior to drill testing.

Review of Operations (continued)

Marlborough South EPM 17768

In late May 2010, the Department of Employment, Economic Development and Innovation notified AusNiCo that the competitive application process had been completed and our application for an EPM over Marlborough South was the priority application. Granting is in progress.

The AusNiCo tenement is adjacent to the Marlborough Nickel Mine which contains a +100 million tonnes @ 0.82% Nickel JORC Resource. A large granite intrusion in contact with serpentinite, in the northern section of the tenement provides a very similar geological system to what we have at the Pembroke Prospect.

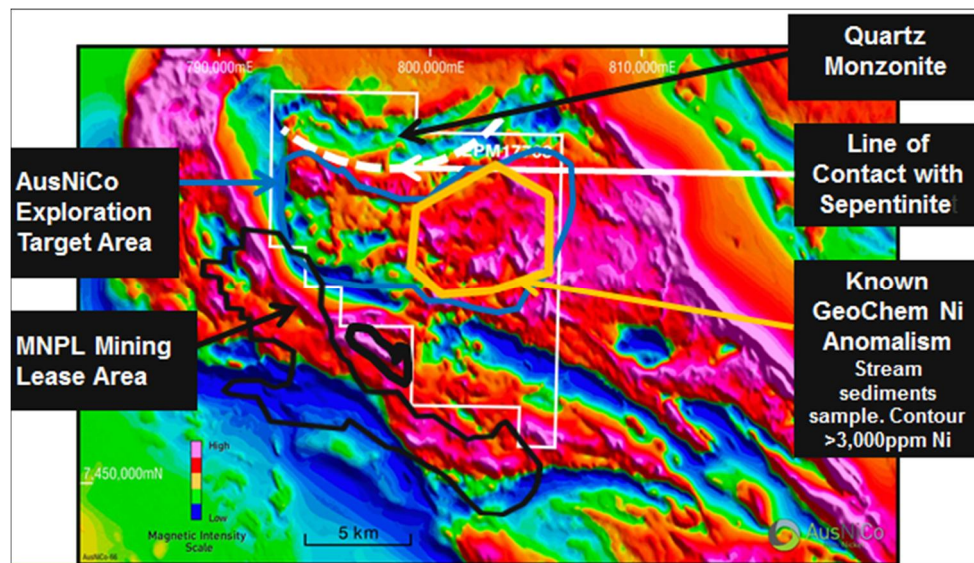


Figure 12. Location of the Marlborough South tenement and the Marlborough Mining Lease

The Queensland Government completed a stream sediment sampling program in the drainages within the Marlborough South tenement area and 50% of the samples returned assays greater than 2,500 ppm Ni with the highest assays recorded of 4,500 ppm Ni.

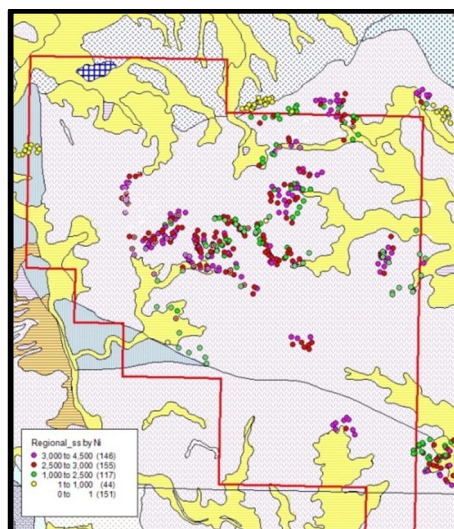


Figure 13. Marlborough South stream sediments samples.
(thematic map showing nickel geochemistry)

Review of Operations (continued)

New Applications at Koonenberry and Cloncurry

The NSW Industry and Investment advised AusNiCo that we had been successful with our Koonenberry and Cloncurry exploration applications. The highly prospective Koonenberry tenements cover a large area that was previously explored by INCO/VALE for nickel sulphides and several areas of interest have been identified. The adjoining tenements at AusNiCo's Cloncurry applications are held by Falcon (Saxby Project) and Xstrata and they have very similar magnetic stratigraphy.

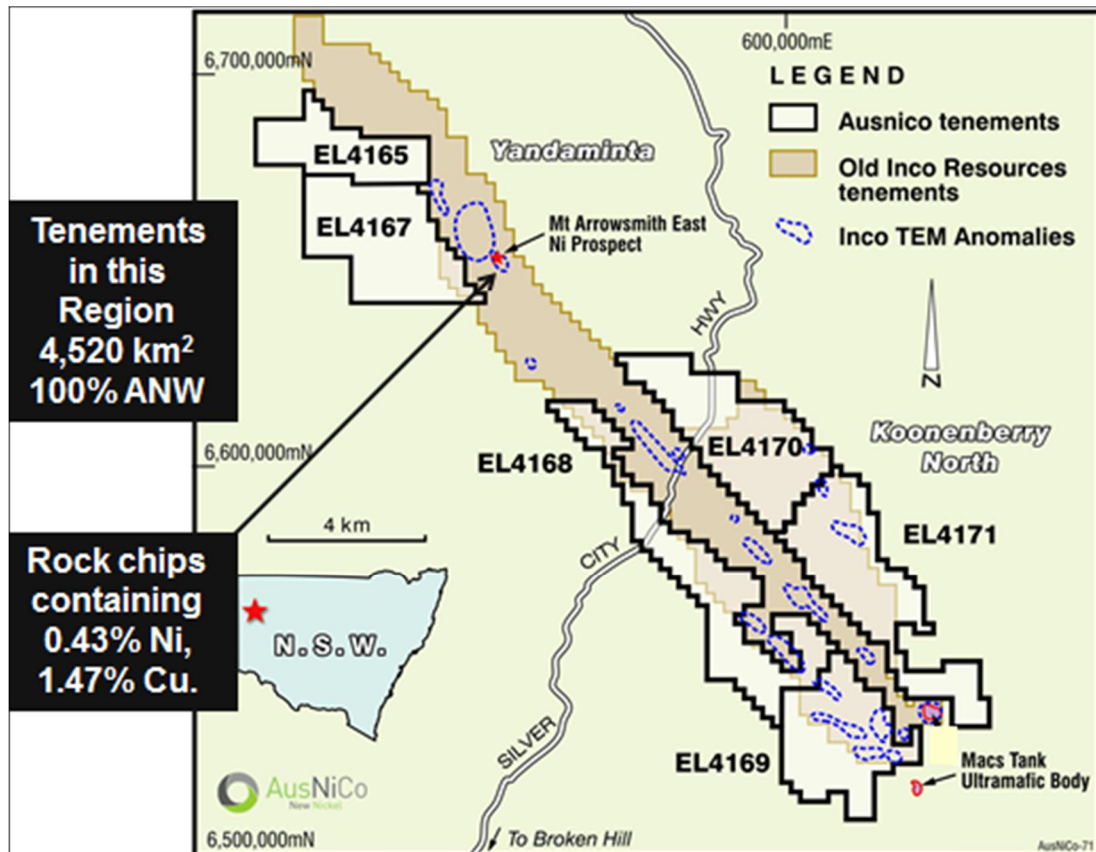


Figure 14. AusNiCo (EL4165-EL4171) Koonenberry Belt plus old INCO tenements

Review of Operations (continued)

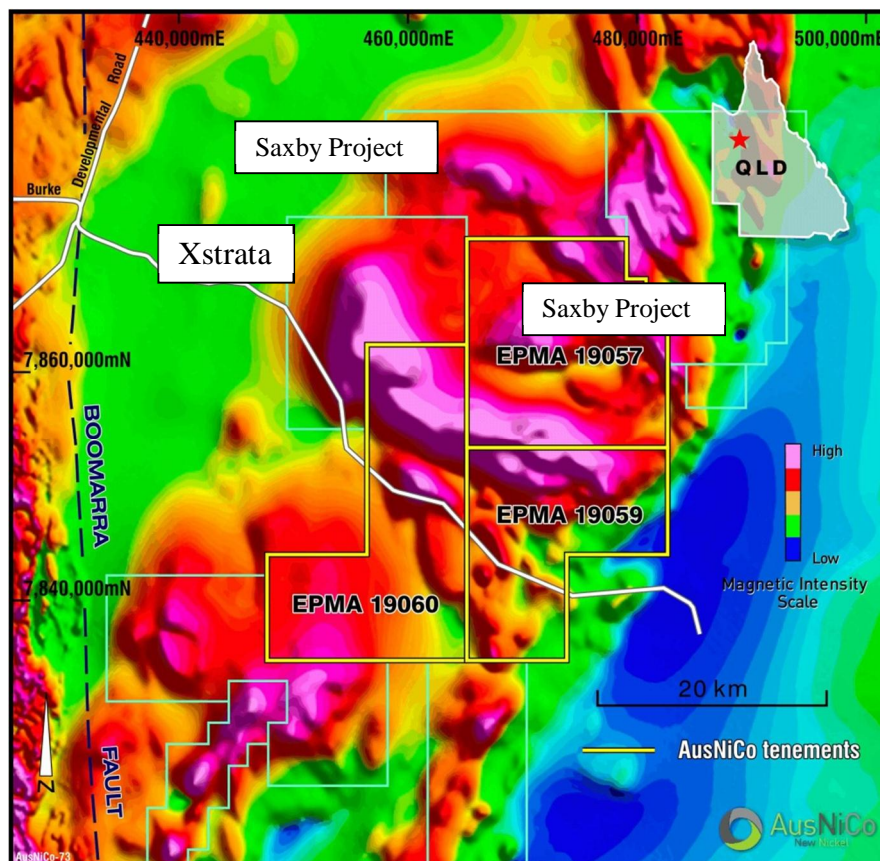


Figure 15. Cloncurry Applications.

COMPETENT PERSON STATEMENT

The information in this Annual Report 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 2011.

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
 Bill Stubbs (resigned 14 July 2010)
 Karl Schlobohm (alternative for Bill Stubbs) (resigned 14 July 2010)
 John Downie (appointed 21 October 2010)
 Stephen Roberts (appointed 21 October 2010)
 Vincent Mascolo (resigned 21 October 2010)
 Ben Harrison (appointed 16 November 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. During the past three years Mr Moller has also served as a director of the following listed companies:

- D'Aguilar Gold Ltd
- Platina Resources Ltd
- Navaho Gold Ltd
- Solomon Gold plc., which 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.

During the past three years Mr Mather has also served as a director of the following listed companies:

- D'Aguilar Gold Ltd
- Mt Isa Metals Ltd
- Navaho Gold Ltd
- Bow Energy Ltd
- Solomon Gold plc., which is listed on the London Stock Exchange (AIM)

Directors' Report (continued)

John Downie - CEO and Managing Director *BE(Mechanical), AICD*

John Downie joined AusNiCo on listing of the Company on the ASX. Mr Downie was previously the CEO of Gladstone Pacific Nickel Limited, which was dual-listed on the London and Toronto Stock Exchanges, following a USD40 million raising in 2007. During his time with Gladstone Pacific Nickel, Mr Downie was instrumental in obtaining a project funding proposal for USD2.85 billion, and overseeing the completion of the Final Feasibility Studies and Environmental Impact Statement approval for the company's projects.

Mr Downie has extensive international corporate and project experience, having held the roles of Director of Mines, General Manager, Operations Manager, Managing Director, President and CEO for various resource companies including Barrack Mines, Alcoa, Boral and Austpac Resources in a career spanning 30 years. As mines director at the Vales Goro Mine in New Caledonia he developed an in depth understanding of both the nickel laterite and nickel sulphide technology and markets.

Mr Downie is currently the Chairman of Goldminex Limited, which holds extensive exploration tenements in Papua New Guinea.

Stephen Roberts - Non-Executive Director *FIPA, MAICD*

Stephen Roberts joined the Board of Directors on listing of the Company on the ASX. Mr Roberts has a finance, accounting and business development background with over 25 years' experience in the resources industry. Mr Roberts worked for the BHP Billiton group of companies for 17 years before leaving at the end of 2005, having spent the last 4 years as Chief Development Officer (CDO) in charge of exploration, technology, business development and M&A for their worldwide nickel business. As CDO, he led BHP Billiton's nickel evaluation and due diligence team in the US\$9.2 billion acquisition of WMC Resources.

Mr Roberts is a past Non-Executive Director of European Nickel Plc. and is currently Chair and Non-Executive Director of LinkWater and LinkWater Projects, two of the entities involved in the creation of the South East Queensland Water Grid. He also consults to a number of resource companies, with a particular focus on strategy, M&A and commercial negotiations.

Ben Harrison - Non-Executive Director *BSc, M.App.Fin, FINSIA*

Ben Harrison is an Executive Director with Bizzell Capital Partners. Prior to joining Bizzell Capital Partners he worked in the corporate finance team at a leading corporate advisory firm where he was involved in a number of high profile capital market and M&A transactions in the resources and industrial sectors. Prior to this, Mr Harrison worked as an equities analyst specialising in the minerals and energy sectors.

Mr Harrison commenced his career as a project manager for an international engineering consulting firm, working on a number of large infrastructure projects in Australia and South East Asia. Mr Harrison has experience in project management, financial analysis, primary and secondary market transactions and M&A. He also has experience in private equity and direct investments and is involved at board and management level in investee companies on behalf of Bizzell Capital Partners and its related entities.

Mr Harrison is a Non-Executive Director of ASX-listed Navaho Gold Ltd.

As at the date of this report, the interests of the directors in the shares and options of AusNiCo Limited were:

	Number of ordinary shares	Number of options over ordinary shares
Brian Moller	50,000	550,000
John Downie	20,000	2,520,000
Nicholas Mather	2,440,000	590,000
Stephen Roberts	30,000	530,000
Ben Harrison	335,000	-

Directors' Report (continued)

COMPANY SECRETARY

Karl Schlobohm - Company Secretary
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, Navaho Gold Ltd 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 became an ASX-listed company on 21 October 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 3 full-time, permanent employees as at 30 June 2011. Additional support from D'Aguilar Gold and the Board of Directors was provided, and consultants were used as required.

DIVIDENDS

No dividend was declared or paid.

SIGNIFICANT EVENTS AFTER BALANCE DATE

On 14 September 2011, the Company announced a capital raising of \$1.4 million through a combination of a \$800,000 private placement and a share purchase plan underwritten to \$600,000. The Directors are not aware of any other significant changes in the state of affairs of the Company after the balance date that is not covered in this report.

REVIEW AND RESULTS OF OPERATIONS

The loss after income tax for the Company for the year ended 30 June 2011 was \$1,184,055 (2010: \$125,038).

The Directors confirm that the period since the Company's admission on the Australian Securities Exchange, the Company has used its cash (and assets in a form readily convertible to cash) in a way consistent with its business objectives.

The review of operations for the year is discussed in the Annual Report under the heading "Review of Operations".

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.

Directors' Report (continued)

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.

Directors' Report (continued)

Remuneration report (continued)

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 2011 is detailed in this Remuneration Report.

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 2011 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 2011 the Company's ordinary shares were traded on the Australian Securities Exchange.

There were no dividends paid during the year ended 30 June 2011.

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.

Directors' Report (continued)

Remuneration report (continued)

Managing Director

The Company has a three (3) year Executive Service Agreement with Mr John Downie, which took effect from the Company's debut on the ASX 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. No bonus was paid or earned for the year ended 30 June 2011.

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

Details of Key Management Personnel

The following persons were Directors of the Company:

(i) Directors

Brian Moller
 Nicholas Mather
 Bill Stubbs (resigned 14 July 2010)
 John Downie (appointed 21 October 2010)
 Stephen Roberts (appointed 21 October 2010)
 Vincent Mascolo (resigned 21 October 2010)
 Ben Harrison (appointed 16 November 2010)

The following persons were Executives of the Company:

(ii) Other Key Management Personnel

John Roiko Exploration Manager
 Karl Schlobohm Company Secretary
 Priy Jayasuriya* Chief Financial Officer (appointed 22 November 2010)

* Priy Jayasuriya is currently remunerated by D'Aguilar Gold Ltd.

Directors' Report (continued)

Remuneration report (continued)

Remuneration of Directors and Other Key Management Personnel

Directors	Short term benefits	Post-employment	Share based payments		Total	% Consisting of options
	Salary & fees \$	Superannuation \$	Options \$	Shares \$	\$	
Brian Moller						
- 2011	34,726	-	-	-	34,726	-
- 2010	-	-	-	-	-	-
John Downie ¹						
- 2011	177,519	28,538	265,151	-	471,208	56%
- 2010	-	-	-	-	-	-
Nicholas Mather						
- 2011	27,872	-	-	-	27,872	-
- 2010	-	-	-	-	-	-
Stephen Roberts ²						
- 2011	27,472	-	-	-	27,472	-
- 2010	-	-	-	-	-	-
Ben Harrison ³						
- 2011	24,945	-	-	-	24,945	-
- 2010	-	-	-	-	-	-
Bill Stubbs ⁴						
- 2011	-	-	-	-	-	-
- 2010	-	-	-	-	-	-
Vincent Mascolo ⁵						
- 2011	-	-	-	-	-	-
- 2010	-	-	-	-	-	-
Total remuneration						
- 2011	292,534	28,538	265,151	-	586,223	
- 2010	-	-	-	-	-	

Other Key Management Personnel	Short term benefits	Post-employment	Share based payments		Total	% Consisting of options
	Salary & fees \$	Superannuation \$	Options \$	Shares \$	\$	
John Roiko ⁶						
- 2011	136,266	12,264	21,212	-	169,742	12%
- 2010	50,459	4,541	-	-	55,000	-
Karl Schlobohm						
- 2011	34,586	-	42,424	-	77,010	55%
- 2010	-	-	-	-	-	-
Priy Jayasuriya ⁷						
- 2011	-	-	-	-	-	-
- 2010	-	-	-	-	-	-
Total remuneration						
- 2011	170,852	12,264	63,636	-	246,752	
- 2010	50,459	4,541	-	-	55,000	

¹ John Downie was appointed as CEO and Managing Director on 21 October 2010.

² Stephen Roberts was appointed as a Non-Executive Director on 21 October 2010.

³ Ben Harrison was appointed as a Non-Executive Director on 16 November 2010.

⁴ Bill Stubbs resigned as a Non-Executive Director on 14 July 2010.

⁵ Vincent Mascolo resigned as a Non-Executive Director on 21 October 2010.

⁶ John Roiko was appointed as Exploration Manager on 15 January 2010.

⁷ Priy Jayasuriya was appointed as Chief Financial Officer on 22 November 2010 and is remunerated by D'Aguilar Gold Ltd.

Directors' Report (continued)

Remuneration report (continued)

Remuneration of Directors and Other Key Management Personnel (continued)

There were no other executives employed or remunerated by the Company during the years ended 30 June 2011 and 2010.

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 2011

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 2011, 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 2011 and held by Key Management Personnel as remuneration are detailed below:

Key Management Personnel	Grant date	Grant number	Exercise price	Expiry date	Vest date	Number vested	% Vested	Value per option at grant date#	Exercised in current year	Exercised in prior years	Balance at 30/6/11
Directors											
Brian Moller	5/12/08	500,000	\$0.30	19/11/13	5/12/08	500,000	100%	\$0.095	-	-	500,000
John Downie	1/09/10	2,500,000	\$0.20	31/07/12	1/09/10	2,500,000	100%	\$0.106	-	-	2,500,000
Nicholas Mather	5/12/08	500,000	\$0.30	19/11/13	5/12/08	500,000	100%	\$0.095	-	-	500,000
Stephen Roberts	5/12/08	500,000	\$0.30	19/11/13	5/12/08	500,000	100%	\$0.095	-	-	500,000
Ben Harrison	-	-	-	-	-	-	-	-	-	-	-
Other key management											
John Roiko	1/09/10	200,000	\$0.20	31/07/12	1/09/10	200,000	100%	\$0.106	-	-	200,000
Karl Schlobohm	1/09/10	400,000	\$0.20	31/07/12	1/09/10	400,000	100%	\$0.106	-	-	400,000
Priy Jayasuriya	-	-	-	-	-	-	-	-	-	-	-

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 (refer Note 19).

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 2011. The options are not granted based on performance criteria, as the Board does not consider this appropriate for a junior exploration company. No amount was paid or payable on the grant of the options.

Shares issued on exercise of remuneration options

There were no options exercised during the year that were previously granted as remuneration (2010: nil).

(End of Remuneration Report)

Directors' Report (continued)

DIRECTORS' MEETINGS

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

	Number of meetings held while in office	Board Meetings attended	Audit & Risk Management Committee Number of meetings held while in office	Meetings attended
Brian Moller	11	11	2	2
Nicholas Mather	11	10	-	-
Bill Stubbs / Karl Schlobohm	-	-	-	-
John Downie	9	9	-	-
Stephen Roberts	9	8	2	2
Vincent Mascolo	3	2	-	-
Ben Harrison	8	8	1	1

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.

OPTIONS

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

Grant date	Date of Expiry	Exercise Price	Number under Option
5 December 2008	19 November 2013	\$0.30	22,000,000
1 September 2010	31 July 2012	\$0.20	3,100,000
21 October 2010	31 July 2012	\$0.20	20,000,000

No shares have been issued as a result of the exercise of share options since 1 July 2010.

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor BDO Audit (Qld) Pty Ltd. 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 Audit (Qld) Pty Ltd received the following amounts for the provision of non-audit services:

Tax services	\$5,000
Other assurance services	\$13,825

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of the Company support and have adhered to the principles of corporate governance. The Company's corporate governance statement can be found on page 32.

Directors' Report (continued)

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration forms part of the Directors' Report and can be found on page 28.

Signed in accordance with a resolution of Directors:



John Downie
Director

Brisbane

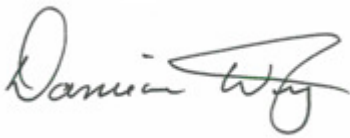
Date: 21 September 2011

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 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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



D P WRIGHT

Director

BDO Audit (QLD) Pty Ltd

Brisbane, 21 September 2011

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	4	1,265	-	-	-	-
1,001 - 5,000	3	11,363	-	-	-	-
5,001 - 10,000	151	1,486,905	168	1,680,000	-	-
10,001 - 100,000	217	9,012,969	239	9,490,000	-	-
100,001 and over	53	99,647,498	15	11,930,000	5	22,000,000
Total	428	110,160,000	422	23,100,000	5	22,000,000

The number of shareholders holding less than a marketable parcel of shares is 14 (holding a total of 61,581 ordinary shares)

(b) Twenty Largest Holders

The names of the twenty largest holders of ordinary shares in AusNiCo Ltd as at 13 September 2011 are:

Ordinary shares:

1	D'AGUILAR GOLD LIMITED	58,850,000	53.42%
2	BIZZELL CAPITAL PARTNERS PTY LTD	5,400,000	4.90%
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	SAMUEL HOLDINGS PTY LTD <SAMUEL DISCRETIONARY A/C>	2,350,000	2.13%
8	TENSTAR TRADING LIMITED	2,000,000	1.82%
9	GULLEWA LIMITED	1,790,000	1.62%
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	CARRINGBUSH ENTERPRISES PTY LTD	800,000	.73%
17	PACIFIC DEVELOPMENT CORPORATION PTY LTD	775,200	.70%
18	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	740,000	.67%
19	BIZZELL NOMINEES PTY LTD <BIZZELL FAMILY A/C>	400,000	.36%
20	PLUTUS CAPITAL PTY LTD <HARRISON FAMILY A/C>	335,000	.30%
Top 20			85.27%
Total			100.00%

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

(c) Substantial shareholders

The Company has received substantial shareholding notices from the following party:

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

(d) Voting rights

All ordinary shares carry one vote per share without restriction.

(e) 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%

(f) Unquoted equity securities greater than 20%

Name	Number of Options	%
D'Aguilar Gold Limited	20,000,000	44.3%

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%	21.01.11		20.01.13	2 years
EPM 17818	100%	11.11.09		10.11.11	2 years
EPM 18107	100%	07.12.09		06.12.12	3 years
EPM 19030	100%	N/A	16.12.10	N/A	2 years
EPM 19057	100%	N/A	09.02.11	N/A	2 years
EPM 19059	100%	N/A	09.02.11	N/A	2 years
EPM 19060	100%	N/A	09.02.11	N/A	2 years
EL 4165	100%	30.08.11		29.08.13	2 years
EL 4167	100%	30.08.11		29.08.13	2 years
EL 4168	100%	30.08.11		29.08.13	2 years
EL 4169	100%	30.08.11		29.08.13	2 years
EL 4170	100%	30.08.11		29.08.13	2 years
EL 4171	100%	30.08.11		29.08.13	2 years

* As at the date of this report, the Company has an outstanding application for the renewal of EPMs 13359, 13360, 15457, 16985, 17721 and 17722. 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

COMMITTEES

Following its debut on the ASX, the Board established an Audit and Risk Management Committee comprising Mr Stephen Roberts, Mr Brian Moller and Mr Ben Harrison. 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

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

The Board is comprised of 5 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 POLICY

The Directors of the Company are subject to a number of restrictions in relation to them dealing in Shares of the Company, all of which are incorporated in a Trading Policy which is part of the Company's Corporate Governance Policies and Procedures. 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 receiving written clearance for the intended transaction from the Chairman of the Board.

DIVERSITY POLICY

The recruitment and selection processes adopted by the Company ensure that staff and management are selected in a non-discriminatory manner based on merit. The Company also values diversity in the organisation. In light of recent amendments to the ASX's Corporate Governance Principles, the Company intends to develop and formalise its diversity policy, and set suitable diversity targets having regard to the nature of the Company's industry and overall business objectives.

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
Principle 1 - Lay Solid Foundations for Management and Oversight	
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.
Principle 2 - Structure Board to Add Value	
Recommendation 2.1 - A majority of the board should be independent directors	Presently under the ASX Guidelines it is considered that there are two independent directors. 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.
Principle 4 - Safeguard Integrity in Financial Reporting	
Recommendation 4.2 - The audit committee should be structured so that it: <ul style="list-style-type: none"> ■ Consists only of non-executive directors ■ Consists of a majority of independent directors ■ Is chaired by an independent chair, who is not chair of the board ■ Has at least three members 	The Audit Committee is currently comprised of Messrs Roberts, Moller and Harrison. Mr Roberts, as an independent Director, chairs the Audit Committee. While the Company does not presently comply with this Recommendation 4.2 (Mr Moller is 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.
Principle 7 - Recognise and Manage Risk	
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.

ASX Principles and Recommendations	Summary of the Company's Position
Principle 8 - Remunerate Fairly and Responsibly	
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 2011

	Notes	2011 \$	2010 \$
Revenue	2	77,606	-
Administration and consulting expenses		(521,714)	(85,192)
Depreciation		(12,896)	(8,065)
Employee benefits expenses		(267,231)	-
Exploration costs written-off		(102,209)	(27,759)
Legal expenses		(28,824)	(4,022)
Share based payments expense		(328,787)	-
(Loss) before income tax	3	(1,184,055)	(125,038)
Income tax expense	4	-	-
(Loss) for the year		(1,184,055)	(125,038)
Other comprehensive income		-	-
Total comprehensive income for the year		(1,184,055)	(125,038)

Earnings per share

		Cents per share	Cents per share
Basic earnings per share	8	(1.1)	(0.1)
Diluted earnings per share	8	(1.1)	(0.1)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	2011 \$	2010 \$
Current assets			
Cash and cash equivalents	9	978,921	82
Trade and other receivables	10	79,244	11,718
Other current assets	11	-	81,469
Total current assets		1,058,165	93,269
Non-current assets			
Other financial assets	12	95,402	34,152
Property, plant and equipment	13	45,454	18,718
Exploration and evaluation assets	14	4,833,141	3,242,851
Total non-current assets		4,973,997	3,295,721
Total assets		6,032,162	3,388,990
Current liabilities			
Trade and other payables	15	580,883	679,989
Provisions	16	17,935	-
Other financial liabilities	17	6,340	5,460
Total current liabilities		605,158	685,449
Non-current liabilities			
Other financial liabilities	17	27,272	-
Total non-current liabilities		27,272	-
Total liabilities		632,430	685,449
Net assets		5,399,732	2,703,541
Equity			
Issued capital	18	5,771,460	2,220,001
Reserve		2,412,055	2,083,268
Accumulated losses	20	(2,783,783)	(1,599,728)
Total equity attributable to owners of AusNiCo Limited		5,399,732	2,703,541

The above statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2011

	Issued Capital	Accumulated Losses	Share Based Payment Reserves	Total Equity
	\$	\$	\$	\$
Balance at 1 July 2009	2,220,001	(1,474,690)	2,083,268	2,828,579
Loss for the year	-	(125,038)	-	(125,038)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	(125,038)	-	(125,038)
Balance at 30 June 2010	2,220,001	(1,599,728)	2,083,268	2,703,541
Loss for the year	-	(1,184,055)	-	(1,184,055)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	(1,184,055)	-	(1,184,055)
Shares issued during the year	4,000,000	-	-	4,000,000
Share issue costs	(448,541)	-	-	(448,541)
Share based payments	-	-	328,787	328,787
Balance at 30 June 2011	5,771,460	(2,783,783)	2,412,055	5,399,732

The above statement of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2011

	Notes	2011 \$	2010 \$
Cash flows from operating activities			
Receipts from customers - related parties		3,145	-
Payments to suppliers and employees		(767,973)	(179,084)
Interest received		70,742	-
Net cash flows from operating activities	21	(694,086)	(179,084)
Cash flows from investing activities			
Payments for security deposits		(61,250)	(2,538)
Purchase of property, plant and equipment		(2,611)	-
Payments for exploration and evaluation assets		(1,266,658)	(211,562)
Net cash flows from investing activities		(1,330,519)	(214,100)
Cash flows from financing activities			
Proceeds from the issue of shares		4,000,000	-
Transactions costs on the issue of shares		(448,541)	-
Proceeds from borrowings		144,637	384,025
Repayment of borrowings		(683,783)	-
Payments on leases		(8,869)	(15,450)
Net cash flows from financing activities		3,003,444	368,575
Net increase in cash and cash equivalents		978,839	(24,609)
Cash and cash equivalents at the beginning of the year		82	24,691
Cash and cash equivalents at the end of the year	9	978,921	82

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Note 1: Summary of Significant Accounting Policies

Corporate Information

The financial report of AusNiCo Limited for the year ended 30 June 2011 was authorized for issue in accordance with a resolution of the directors on 21 September 2011.

AusNiCo Limited (the Company) is a public company limited by shares incorporated and domiciled in Australia. The ultimate parent of AusNiCo Limited is D'Aguilar Gold Limited which owns 53% of the ordinary shares. The Company's registered office is located at Level 5, 60 Edward Street, Brisbane, QLD 4000.

The nature of the operations and principal activities of the Company are described in the director's report.

Basis of Preparation

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 AusNiCo Limited and is presented in Australian dollars.

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).

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. The Company has not generated revenues from operations. As such, the Company's ability to continue to adopt the going concern assumption will depend upon a number of matters including the successful raising in the future of necessary funding or the successful exploration and subsequent exploitation of the Company's tenements. In the absence of these matters being successful, there exists a material uncertainty that may cast significant doubt on the entities ability to continue as a going concern, and therefore, it may be unable to realize its assets and discharge its liabilities in the ordinary course of business.

On 14 September 2011, the Company announced a capital raising of \$1.4 million through a combination of a \$800,000 private placement and a share purchase plan underwritten to \$600,000. The private placement of \$800,000 was successfully completed and the respective shares allotted on 20 September 2011.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2011

Note 1: Summary of Significant Accounting Policies (continued)

Accounting Policies

(a) New Accounting Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Company has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2010:

Reference	Title	Application date of standard	Application date for the Company
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 January 2010	1 July 2010
AASB 2009-8	Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions [AASB 2]	1 January 2010	1 July 2010
AASB 2009-10	Amendments to Australian Accounting Standards - Classification of Rights Issues [AASB 132]	1 February 2010	1 July 2010
AASB 2010-3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, 7, 121, 128, 131, 132 & 139]	1 July 2010	1 July 2010
AASB Int. 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010	1 July 2010

Australian Accounting Standards and Interpretations that have been recently issued or amended but are not yet effective have not been adopted by the Company for the annual reporting period ending 30 June 2011. The Company does not believe that there will be a material financial impact to either the statement of comprehensive income or the statement of financial position once these accounting standards are adopted. These are outlined in the table below:

Reference	Title	Application date of standard	Application date for the Company
AASB 9	Financial Instruments	1 January 2013	1 July 2013
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023, & 1038 and Interpretations 10 & 12]	1 January 2013	1 July 2013
AASB 124 (R)	Related Party Disclosures (December 2009)	1 January 2011	1 July 2011
AASB 2009-12	Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	1 January 2011	1 July 2011
AASB 2009-14	Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement	1 January 2011	1 July 2011
AASB 1053	Application to Tiers of Australian Accounting Standards	1 July 2013	1 July 2013
AASB 1054	Australian Additional Disclosures	1 July 2011	1 July 2011
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, 7, 101, 134 and Interpretation 13]	1 January 2011	1 July 2011
AASB 2010-5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	1 January 2011	1 July 2011
AASB 2010-6	Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]	1 July 2011	1 July 2011
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and interpretations 2, 5, 10, 12, 19 & 127]	1 January 2013	1 July 2013
AASB 2010-8	Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets [AASB 112]	1 January 2012	1 July 2012
AASB 2011-1	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132, AASB 134, Interpretation 2, Interpretation 112, Interpretation 113]	1 July 2011	1 July 2011
AASB 2011-2	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project - Reduced disclosure regime [AASB 101, AASB 1054]	1 July 2013	1 July 2013

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2011

Note 1: Summary of Significant Accounting Policies (continued)

Accounting Policies (continued)

(b) Business Combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with contractual terms, economic conditions, the Company's operating or accounting policies and other pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value through profit and loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured.

(c) Operating Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This may include start-up operations which are yet to earn revenues.

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

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

(d) Cash and Cash Equivalents

For the Statement of Cash Flows, 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.

(e) Trade and other receivables

Receivables, generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Company will not be able to collect the receivable. Financial difficulties of the debtor or debts more than 90 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2011

Note 1: Summary of Significant Accounting Policies (continued)

Accounting Policies (continued)

(f) Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Company 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.

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.

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 Company 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.

(g) Property, Plant & Equipment

Property, plant & equipment are stated at historical cost less accumulated depreciation and any accumulated 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 & equipment</i>	<i>Depreciation</i>
Leased Motor Vehicles	20% Straight line
Office Equipment	20% - 33.3% Straight line

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2011

Note 1: Summary of Significant Accounting Policies (continued)

Accounting Policies (continued)

(g) Property, Plant & Equipment (continued)

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

Derecognition

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

(h) Exploration and Evaluation Assets

Exploration and evaluation 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.

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.

(i) Impairment of Assets

At each reporting date, the Company reviews the carrying values of its 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2011

Note 1: Summary of Significant Accounting Policies (continued)

Accounting Policies (continued)

(j) Trade and Other Payables

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30-60 days of recognition.

(k) Provisions and Employee Benefits

Provisions

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

When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee benefits

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wages and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(l) 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2011

Note 1: Summary of Significant Accounting Policies (continued)

Accounting Policies (continued)

(l) Leases (continued)

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 over the lease term.

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

(m) Share Capital

Ordinary shares are classified as equity. 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.

(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 shares and options granted to Directors, employees and consultants is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the recipients become unconditionally entitled to the instruments. For options, fair value is determined using a Black-Scholes option pricing model.

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

Where equity instruments granted 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 instruments are substituted for the cancelled instruments and designated as a replacement, the combined impact of the cancellation and replacement instruments are treated as if they were a modification.

(o) Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2011

Note 1: Summary of Significant Accounting Policies (continued)

Accounting Policies (continued)

(p) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and 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.

The charge for current income tax expense 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 based on tax rates (and laws) that have been enacted or substantially enacted by the reporting date.

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 and unused tax losses can be utilised.

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.

Current and deferred tax is recognised in profit or loss, except to the extent it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2011

Note 1: Summary of Significant Accounting Policies (continued)

Accounting Policies (continued)

(q) 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.

(r) Earnings per Share

Basic earnings per share is calculated as net profit (loss) attributable to owners of the Company, adjusted to exclude any costs of servicing equity other than ordinary shares, divided by the weighted average number of ordinary shares outstanding during the year, adjusted for any bonus element.

Diluted earnings per share adjust the figures used in the determination of basic earnings per share to take into account:

- The after tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(s) Comparatives

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

(t) 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. Where applicable, 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2011

Note 1: Summary of Significant Accounting Policies (continued)

Accounting Policies (continued)

(t) Critical Accounting Estimates and Judgments (continued)

The Directors have assessed that for the exploration and evaluation assets recognised at 30 June 2011, 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 impairment as noted in Accounting Standard AASB 6 "Exploration for and Evaluation of Mineral Resources".

Exploration and evaluation assets at 30 June 2011 were \$4,833,141 (2010: \$3,242,851).

	2011 \$	2010 \$
Note 2. Revenue		
- Interest received	74,032	-
- Other	3,574	-
Total Revenue	77,606	-

(a) Interest revenue from:		
- Term deposits held with financial institutions	74,032	-
Total Interest Revenue	74,032	-

Note 3. Profit / (Loss)

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

Depreciation		
- Office equipment	756	165
- Leased motor vehicles	12,140	7,900
Defined contribution superannuation expense	32,610	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2011

	2011 \$	2010 \$
Note 4. Income Tax		
The prima facie tax on profit / (loss) before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit / (loss) before income tax at 30% (2010: 30%)	(355,217)	(37,511)
Add tax effect of:		
Deferred tax asset not recognised	256,580	40,013
Permanent differences	98,636	-
Less tax effect of:		
Overprovision for income tax	-	(2,502)
Income tax expense / (benefit) attributable to profit / (loss) before income tax	-	-
Recognised deferred tax assets		
Unused tax losses	1,307,506	388,279
Deductible temporary differences	142,436	36,657
Potential benefit at 30% (2010: 30%)	1,449,942	424,936
Recognised deferred tax liabilities		
Assessable temporary differences	1,449,942	424,936
Potential benefit at 30% (2010: 30%)	1,449,942	424,936
Net deferred tax recognised	-	-
Unrecognised deferred tax assets		
Unrecognised tax losses	452,310	950,753
Deferred tax assets not taken up at 30% (2010: 30%)	135,693	285,226

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 2011 under COT.

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2011

Note 5. Key Management Personnel

(a) Key Management Personnel Compensation

The total remuneration of Key Management Personnel for the Company for the year was as follows:

	2011 \$	2010 \$
Short term employee benefits	463,386	50,459
Post-employment benefits	40,802	4,541
Share based payments	328,787	-
Total	832,975	55,000

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

(b) Equity Instruments

Shareholdings

Current Year	Balance 1 July 2010	Granted as Compensation	Options Exercised	Net Change Other#	Balance 30 June 2011
Directors					
Brian Moller	-	-	-	50,000	50,000
John Downie	-	-	-	20,000	20,000
Nicholas Mather	-	-	-	2,440,000	2,440,000
William Stubbs	-	-	-	-	-
Vince Mascolo	-	-	-	-	-
Stephen Roberts	-	-	-	30,000	30,000
Ben Harrison	-	-	-	335,000	335,000
Other Key Management Personnel					
John Roiko	-	-	-	-	-
Karl Schlobohm	-	-	-	10,000	10,000
Priy Jayasuriya	-	-	-	-	-
Total	-	-	-	2,885,000	2,885,000
Previous Year	Balance 1 July 2009	Granted as Compensation	Options Exercised	Net Change Other	Balance 30 June 2010
Directors					
Brian Moller	-	-	-	-	-
Nicholas Mather	-	-	-	-	-
Bill Stubbs	-	-	-	-	-
Ian Levy	2,800,000	-	-	(2,800,000)	-
Vince Mascolo	-	-	-	-	-
Other Key Management Personnel					
John Roiko	-	-	-	-	-
Karl Schlobohm	-	-	-	-	-
Total	2,800,000	-	-	(2,800,000)	-

"Net Change Other" above includes the balance of shares held on appointment / resignation, and shares acquired for cash on similar terms and conditions to other shareholders.

There were no shares held nominally at 30 June 2011 (2010: nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2011

Note 5. Key Management Personnel (continued)

(b) Equity Instruments (continued)

Option holdings

Current Year	Balance 1 July 2010	Granted as Remuneration	Options Exercised	Net Change Other#	Balance 30 June 2011	Total Vested	Total Vested and Exercisable	Total Vested and Unexercisable
Directors								
Brian Moller	500,000	-	-	50,000	550,000	550,000	550,000	-
John Downie	-	2,500,000	-	20,000	2,520,000	2,520,000	2,520,000	-
Nicholas Mather	500,000	-	-	90,000	590,000	590,000	590,000	-
William Stubbs	-	-	-	-	-	-	-	-
Stephen Roberts	-	-	-	530,000	530,000	530,000	530,000	-
Vince Mascolo	500,000	-	-	(500,000)	-	-	-	-
Ben Harrison	-	-	-	-	-	-	-	-
Other Key Management Personnel								
John Roiko	-	200,000	-	-	200,000	200,000	200,000	-
Karl Schlobohm	-	400,000	-	10,000	410,000	410,000	410,000	-
Priy Jayasuriya	-	-	-	-	-	-	-	-
Total	1,500,000	3,100,000	-	200,000	4,800,000	4,800,000	4,800,000	-

Previous 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
Directors								
Nicholas Mather	500,000	-	-	-	500,000	500,000	500,000	-
William Stubbs	-	-	-	-	-	-	-	-
Brian Moller	500,000	-	-	-	500,000	500,000	500,000	-
Vince Mascolo	500,000	-	-	-	500,000	500,000	500,000	-
Other Key Management Personnel								
John Roiko	-	-	-	-	-	-	-	-
Karl Schlobohm	-	-	-	-	-	-	-	-
Total	1,500,000	-	-	-	1,500,000	1,500,000	1,500,000	-

"Net Change Other" above includes the balance of options held on appointment / resignation, and options acquired on similar terms and conditions to other shareholders.

There were no share options held nominally at 30 June 2011 (2010: nil).

(c) Loans to Key Management Personnel

There were no loans to Directors or other key management personnel during the current year (2010: none).

(d) Other Transactions with Key Management Personnel

Other transactions with Directors are set out in Note 22. There were no other transactions or balances with key management personnel during the year.

Note 6. Dividends and Franking Credits

There were no dividends paid or recommended during the year or since the end of the year (2010: none). There are no franking credits available to shareholders of the Company (2010: none).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2011

Note 7. Auditors Remuneration

Audit and review of the financial reports
Other assurance services
Taxation services

2011 \$	2010 \$
35,000	29,007
13,825	-
5,000	5,923
53,825	34,930

Note 8. Earnings Per Share (EPS)

(a) Earnings

Earnings used to calculate basic and diluted EPS

(1,184,055) (125,038)

(b) Weighted average number of shares and options

Weighted average number of ordinary shares outstanding during the year, used in calculating basic earnings per share

104,061,099 90,160,000

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 diluted earnings per share

104,061,099 90,160,000

Options are not considered dilutive as they are currently out of the money. Options may become dilutive in the future.

Note 9. Cash and Cash Equivalents

Cash at bank
Short-term deposits

2011 \$	2010 \$
247,431	82
731,490	-
978,921	82

Note 10. Trade and Other Receivables

GST refundable
Other receivables

75,954 -
3,290 11,718
79,244 11,718

Receivables are non-interest bearing and are generally on 30-60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual receivable is impaired. No impairment loss has been recorded for the current and previous financial year.

Due to the short term nature of these receivables, their carrying value is assumed to approximate fair value. The maximum exposure to credit risk is the carrying value of receivables. Collateral is not held as security.

The receivables are not exposed to foreign exchange risk. No receivables were past due or impaired at 30 June 2011 (2010: nil).

Note 11. Other Current Assets

Prepayments

- 81,469

Note 12. Other Financial Assets

Security deposits

95,402 34,152

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2011

	2011 \$	2010 \$
Note 13. Property, Plant and Equipment		
Leased Motor vehicles - at cost	76,523	39,502
Accumulated depreciation	(33,035)	(20,895)
Written down value	43,488	18,607
Office equipment - at cost	3,106	495
Accumulated depreciation	(1,140)	(384)
Written down value	1,966	111
Total written down value	45,454	18,718

Reconciliation of carrying amounts at the beginning and end of the year

	Motor Vehicles \$	Office Equipment \$	Total \$
Year ended 30 June 2011			
At 1 July 2010 net of accumulated depreciation	18,607	111	18,718
Additions	37,021	2,611	39,632
Disposals	-	-	-
Depreciation charge for the year	(12,140)	(756)	(12,896)
At 30 June 2011 net of accumulated depreciation	43,488	1,966	45,454
Year ended 30 June 2010			
At 1 July 2009 net of accumulated depreciation	26,507	276	26,783
Additions	-	-	-
Disposals	-	-	-
Depreciation charge for the year	(7,900)	(165)	(8,065)
At 30 June 2010 net of accumulated depreciation	18,607	111	18,718

	2011 \$	2010 \$
Note 14. Exploration and Evaluation Assets		
Exploration and evaluation assets	4,833,141	3,242,851
Movements in carrying amounts		
Balance at the beginning of the year	3,242,851	3,059,047
Additions	1,692,499	211,563
Written-off during the year	(102,209)	(27,759)
Balance at the end of the year	4,833,141	3,242,851

The 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	407,202	127,359
Accrued expenses	139,329	9,603
Employee benefits	34,352	3,882
Unsecured loan - D'Aguilar Gold Ltd	-	539,145
	580,883	679,989

Trade and other payables are non-interest bearing and are generally on 30-60 day terms.

Terms and conditions of the unsecured loan are disclosed in Note 22.

Due to the short term nature of these receivables, their carrying value is assumed to approximate fair value.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2011

	2011 \$	2010 \$
Note 16. Provisions		
Employee benefits	17,935	-

Note 17. Other Financial Liabilities

Current		
Lease liability - secured	6,340	5,460
Non-current		
Lease liability - secured	27,272	-

Lease liabilities are secured over the leased motor vehicles disclosed in Note 13.

Note 18. Issued Capital

(a) Issued and paid up capital		
110,160,000 (2010: 90,160,000) ordinary shares fully paid	6,270,001	2,270,001
Share issue costs	(498,541)	(50,000)
	5,771,460	2,220,001

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

(b) Reconciliation of issued and paid-up capital	Number of Shares	\$
At 1 July 2009	90,160,000	2,220,001
Shares issued	-	-
At 30 June 2010	90,160,000	2,220,001
Shares issued for cash (1)	20,000,000	3,551,459
At 30 June 2011	110,160,000	5,771,460

(1) On 21 October 2010, 20,000,000 \$0.20 ordinary shares were issued (each with a free attaching 20 cent option) pursuant to the Initial Public Offer of the Company's shares on the ASX, net of share issue costs of \$448,541.

(c) Options

As at 30 June 2011, there were 45,100,000 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 exercise price of 30 cents. The options vested immediately on grant and expire 19 November 2013.
- 2,000,000 unlisted options to take up one ordinary share in AusNiCo Ltd (issued to AusNiCo Directors) at an exercise price of 30 cents. The options vested immediately on grant and expire 19 November 2013.
- 20,000,000 unlisted options to take up one ordinary share in AusNiCo Ltd (issued to shareholders pursuant to the Initial Public Offer of the Company's shares on the ASX) at an exercise price of 20 cents. The options vested immediately on grant and expire 31 July 2012.
- 3,100,000 unlisted options to take up one ordinary share in AusNiCo Ltd (issued under the AusNiCo Employee Share Option Plan) at an exercise price of 20 cents. The options vested immediately on grant and expire 31 July 2012.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2011

Note 18. Issued Capital (continued)

(d) Capital Risk Management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure to ensure the lowest costs of capital available to the Company.

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

Note 19. Share-based Payments

(a) Recognised share-based payments

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

	2011 \$	2010 \$
Expense arising from equity settled share-based payment transactions	328,787	-

The share-based payments are described below. There have been no cancellations or modifications to any of the share based payments during 2011 and 2010.

(b) Types of share-based payment plans

Employee share option plan (ESOP)

Share options are granted to employees. The employee share option plan is designed to align participants' interests with those of shareholders by increasing the value of the Company's shares.

When a participant ceases employment prior to the vesting of their share options, the share options are forfeited after 90 days unless cessation of employment is due to termination for cause, whereupon they are forfeited immediately or death. The Company prohibits KMP from entering into arrangements to protect the value of unvested ESOP awards.

The contractual life of each option granted is generally three (3) years. There are no cash settlement alternatives.

Each option can be exercised from vesting date to expiry date for one share with the exercise price payable in cash.

(c) Summaries of options granted

The following table illustrates the number (no.) and weighted average exercise prices (WAEP) of, and movements in, share options granted during the year:

	2011 No.	2011 WAEP	2010 No.	2010 WAEP
Outstanding at the beginning of the year	22,000,000	\$0.30	22,000,000	\$0.30
Granted during the year	23,100,000	\$0.20	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	45,100,000	\$0.24	22,000,000	\$0.30
Exercisable at the end of the year	45,100,000	\$0.24	22,000,000	\$0.30

The options outstanding at 30 June 2011 have a remaining contractual life of 2.23 years (2010: 3.39 years) and exercise prices ranging from \$0.20 to \$0.30 (2010: \$0.30).

On 1 September 2010, 3,100,000 AusNiCo Limited share options were granted to Directors and employees under the employee share option plan. The options are to take up one ordinary share in AusNiCo at a price of 20 cents each. The options vested immediately and are due to expire on 31 July 2012. A \$328,787 value was calculated using the Black Scholes valuation methodology (refer below).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2011

Note 19. Share-based Payments (continued)

(d) Option pricing model

The fair value of the equity settled share options granted is estimated using a Black-Scholes options pricing model taking into account the terms and conditions upon which the instruments were granted.

The following table lists the inputs to the model used for the years ended 30 June 2011 and 2010:

	2011	2010
Weighted average exercise price	\$0.20	-
Weighted average life of the option	1.9 years	-
Underlying share price	\$0.20	-
Expected share price volatility	100%	-
Expected dividends	-	-
Risk free interest rate	4.52%	-
Number of options issued	3,100,000	-
Value (Black-Scholes) per option	\$0.1061	-
Total value of options issued	\$328,787	-

Historical volatility of a group of comparable companies has been the basis of determining expected share price volatility, as it is assumed that this is indicative of future movements. The life of the option has been based on its term to expiry.

Note 20. Accumulated Losses

Accumulated losses at the beginning of the year
Losses after income tax expense
Accumulated losses

2011 \$	2010 \$
(1,599,728)	(1,474,690)
(1,184,055)	(125,038)
(2,783,783)	(1,599,728)

Note 21. Cash Flow Reconciliation

Loss after income tax	(1,184,055)	(125,038)
Non-cash items		
- Write-back of exploration expenditure written off	102,209	27,758
- Share based payments	328,787	-
- Depreciation	12,896	8,065
Changes in operating assets and liabilities*		
(Increase) decrease in trade and other receivables	(67,526)	7,042
(Increase) decrease in other current assets	81,469	(81,469)
Increase (decrease) in trade and other payables	14,199	(15,442)
Increase (decrease) in provisions	17,935	-
Net cash flows from operating activities	(694,086)	(179,084)

* Net of amounts relating to exploration and evaluation assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2011

Note 22. Related Party Disclosures

(a) Ultimate parent

D'Aguilar Gold Ltd is the ultimate parent, which is incorporated in Australia and owns 53% of AusNiCo Ltd.

(b) Key management personnel

Details relating to key management personnel, including remuneration paid are included in note 5.

(c) Transactions with related parties

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year:

Related party		Sales to related parties	Purchases from related parties	Other transactions with related parties
D'Aguilar Gold Ltd (i)	2011	-	200,000	144,637
	2010	-	-	384,025
Hopgood Ganim (ii)	2011	-	73,053	-
	2010	-	64,389	-

(i) The Company has a commercial arrangement with D'Aguilar Gold Ltd for the provision of various services, whereby D'Aguilar Gold provides resources and services including the provision of its administration and exploration staff, its premises (for the purposes of conducting the Company's business operations), use of existing office furniture, equipment and certain stationery, together with general telephone, reception and other office facilities ("Services"). In consideration for the provision of the Services, the Group pays D'Aguilar Gold a monthly management fee of \$25,000 per month. For the year ended 30 June 2011 \$200,000 was paid or payable to D'Aguilar Gold (2010: \$nil) for the provision of the Services. The total current amount payable at year end was \$16,260 (2010: \$nil).

(ii) Mr Brian Moller (a Director), is a partner in the Australian firm Hopgood Ganim lawyers. For the year ended 30 June 2011, \$73,053 (2010: \$64,389) was paid or payable to Hopgood Ganim for the provision of legal services to the Company. The services were based on normal commercial terms and conditions. The total current amount payable at year end was \$nil (2010: \$60,368).

The outstanding balances at each relevant year end are unsecured, interest free and settlement occurs in cash.

(d) Loans from related parties

During the year a loan of \$144,637 (2010: \$384,025) was made from D'Aguilar Gold Ltd to AusNiCo Ltd. This loan was fully repaid during the year resulting in a \$nil balance at year-end (2010: \$539,145). The loan was interest free, unsecured and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2011

Note 23. Capital and Leasing Commitments

(a) Future Exploration Commitments

The Company has 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 commitments are as follows:

	2011 \$	2010 \$
Less than 12 months	782,000	1,070,000
Between 12 months and 5 years	565,000	784,000
	1,347,000	1,854,000

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.

(b) Lease Expenditure Commitments

	2011 \$	2010 \$
Finance leases:		
- Not later than one year	9,497	5,807
- Later than one year and not later than 5 years	32,448	-
- Later than 5 years	-	-
Total minimum finance lease payments	41,945	5,807
- Future finance charges	(8,333)	(347)
- Lease liability	33,612	5,460
Lease liability		
- Current liability	6,340	5,460
- Non-current liability	27,272	-
	33,612	5,460

Note 24. 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, receivables and payables.

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 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2011

Note 24. Financial Risk Management (continued)

(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 recognised 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. It arises from exposure to receivables as well as through deposits with financial institutions.

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 Group and at balance date.

The Group's cash at bank is wholly held with Macquarie Bank Limited.

(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.

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.

	< 6 months	6-12 months	1-5 years	5 years	Total
	\$	\$	\$	\$	%
Year ended 30 June 2011					
<i>(i) Liquid financial assets</i>					
Cash and cash equivalents	978,921	-	-	-	978,921
Trade and other receivables	79,244	-	-	-	79,244
Total financial assets	1,058,165	-	-	-	1,058,165
<i>(ii) Liquid financial liabilities</i>					
Trade and other payables	(580,833)	-	-	-	(580,833)
Other financial liabilities	(4,748)	(4,748)	(32,449)	-	(41,945)
Total financial liabilities	(585,581)	(4,748)	(32,449)	-	(622,778)
Net inflow (outflow)	472,584	(4,748)	(32,449)	-	435,387
Year ended 30 June 2010					
<i>(i) Liquid financial assets</i>					
Cash and cash equivalents	82	-	-	-	82
Trade and other receivables	11,718	-	-	-	11,718
Total financial assets	11,800	-	-	-	11,800
<i>(ii) Liquid financial liabilities</i>					
Trade and other payables	(679,989)	-	-	-	(679,989)
Other financial liabilities	(5,807)	-	-	-	(5,807)
Total financial liabilities	(685,796)	-	-	-	(685,796)
Net inflow (outflow)	(673,996)	-	-	-	(673,996)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2011

Note 24. 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 Company 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.

For further details on interest rate risk refer to the tables below:

	Floating interest rate	Fixed interest rate	Non- interest bearing	Total carrying amount	Weighted average effective interest rate 2011 %
	2011 \$	2011 \$	2011 \$	2011 \$	
(i) Financial assets					
Cash and cash equivalents	247,431	731,490	-	978,921	4.78%
Trade and other receivables	-	-	79,244	79,244	N/A
Other financial assets	-	-	95,402	95,402	N/A
Total financial assets	247,431	731,490	174,646	1,153,567	

(ii) Financial liabilities					
Trade and other payables	-	-	407,202	407,202	N/A
Other financial liabilities	-	33,612	-	33,612	10.26%
Total financial liabilities	-	33,612	407,202	440,814	

	Floating interest rate	Fixed interest rate	Non- interest bearing	Total carrying amount	Weighted average effective interest rate 2010 %
	2010 \$	2010 \$	2010 \$	2010 \$	
(i) Financial assets					
Cash and cash equivalents	82	-	-	82	4.50%
Trade and other receivables	-	-	11,718	11,718	N/A
Other financial assets	-	-	34,152	34,152	N/A
Total financial assets	82	-	45,870	45,952	

(ii) Financial liabilities					
Trade and other payables	-	-	140,844	140,844	N/A
Unsecured loan	-	-	539,145	539,145	N/A
Other financial liabilities	-	5,460	-	5,460	8.85%
Total financial liabilities	-	5,460	679,989	685,449	

Due to the short term nature of the above assets and liabilities, their carrying values are assumed to approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2011

Note 25. Operating 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 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 Nickel, Gold and Copper. The financial results from this segment are equivalent to the financial statements of the Company. There have been no changes in the operating segments during the year.

All assets are located in Australia.

Note 26. Contingent Assets and Liabilities

There are no contingent assets and liabilities at 30 June 2011 (2010: none).

Note 27. Subsequent Events

On 14 September 2011, the Company announced a capital raising of \$1.4 million through a combination of a \$800,000 private placement and a share purchase plan underwritten to \$600,000. The private placement of \$800,000 was successfully completed and the respective shares allotted on 20 September 2011.

The Directors are not aware of any other significant changes in the state of affairs of the Company or events after the balance date that would have a material impact on the financial statements.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of AusNiCo Limited, I state that:

1. In the opinion of the Directors:

- (a) The financial statements and notes of AusNiCo Limited for the financial year ended 30 June 2011 are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of its financial position as at 30 June 2011 and 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 statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1; and
- (c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declarations required to be made by the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2011.

On behalf of the board



John Downie
Director

Brisbane
Date: 21 September 2011

INDEPENDENT AUDITOR'S REPORT

To the members of AusNiCo Limited

Report on the Financial Report

We have audited the accompanying financial report of AusNiCo Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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*, which has been given to the directors of AusNiCo Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of 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 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matters on Going Concern and Carrying Value of Exploration 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. The Company has not generated revenues from operations. As such, the Company's ability to continue to adopt the going concern assumption will depend upon a number of matters including the successful raising in the future of necessary funding or the successful exploration and subsequent exploitation of the Company's tenements. In the absence of these matters being successful, there exists a material uncertainty that may cast significant doubt on the entities ability to continue as a going concern, and therefore, it may be unable to realize its assets and discharge its liabilities in the ordinary course of business.

Report on the Remuneration Report

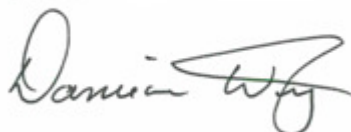
We have audited the Remuneration Report included in pages 21 to 25 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of AusNiCo Limited for the year ended 30 June 2011 complies with section 300A of the Corporations Act 2001.

BDO Audit (QLD) Pty Ltd

BDO



Damian Wright

Director

Brisbane, 21 September 2011