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# EMMERSON RESOURCES LIMITED

**ABN 53 117 086 745**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2008**

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# CORPORATE INFORMATION

**Directors**

Andrew McIlwain (Non-Executive Chairman)

Robert Bills (Managing Director and Chief Executive Officer)

Timothy Kestell (Non-Executive Director)

Simon Andrew (Non-Executive Director)

**Share Registry**
Computer Share Investor Services Pty Limited
Level 2,
45 St Georges Terrace,
Perth 6000

GPO Box D182
Perth 6840

**Company Secretary**
Shane Volk

**Bank**
National Australia Bank
Level 1, 1238 Hay St
West Perth

**Solicitors to the Company**
Steinepreis Paganin
Lawyers and Consultants
Level 4, Next Building
16 Milligan Street
PERTH WA 6000

Ward Keller
Lawyers
Level 7, NT House
22 Mitchell Street
DARWIN NT 0801

**Principal Place of Business and Registered Office**
Level 1, 65 Hay Street
SUBIACO WA 6008

Telephone: (08) 9489 7078
Facsimile: (08) 9489 7080

Internet: www.emmersonresources.com.au

**Auditors**
Ernst & Young

The Ernst & Young Building,
11 Mounts Bay Road,
Perth WA 6000

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## INDEX

The Directors present their report on the consolidated entity consisting of Emmerson Resources Limited (formerly Emmerson Resources Pty Ltd) and the entities it controlled at the end of, or during, the year ended 30 June 2008. Directors were in office for the entire year unless otherwise stated.

## DIRECTORS

**Mr. Andrew McIlwain** B.Eng (Mining) Non-Executive Chairman

Andrew McIlwain joined the Company on February 1st, 2007, appointed as the first Chairman of the Board. He is a qualified mining engineer and has held technical, senior management and executive roles within Mt. Isa Mines Limited, Central Norseman Gold Corporation, WMC Resources Limited and Lafayette Mining Limited. During the past three years Mr. McIlwain has served on the Boards of the following publicly listed companies:

- Verus Investments Limited * (Appointed Chairman May 15th, 2008)
- Windy Knob Resources * (Appointed Non-Executive Director April 16th, 2008)
- Lafayette Mining Limited (Managing Director – Resigned March 17th, 2006)

* denotes current directorship

**Mr. Robert Bills** B.Sc, M.Sc Managing Director and Chief Executive Officer (appointed September 10th, 2007)

Rob Bills joined the Company on September 10th 2007; he is a geologist and holds a Bachelor of Science Degree from Monash University and a Master of Science Degree from James Cook University. Prior to joining Emmerson Resources Mr. Bills had a 25 year career with Western Mining Corporation, then BHPBilliton where he held the position of global commodity specialist.

**Mr. Tim Kestell** B. Comm Non-Executive Director

Tim Kestell formed Emmerson Resources on November 10th, 2005 and was the Managing Director of the Company until the appointment of Mr. Bills in 2007. Presently he is also the Chairman of the Company's Audit and Risk Management Committee. During the past three years Mr. Kestell has served on the Boards of the following publicly listed companies:

- Centralian Minerals Limited (renamed Firestone Energy Limited) (October 2006 to June 2007)
- New Opportunity Limited (July 2006 to January 2008)
- Northern Energy Limited (from 2004 to 2005)

Other than Emmerson Resources, Mr. Kestell currently does not serve as a director of any publicly listed company.



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**<u>Mr. Simon Andrew</u>** B.Sc (Honours) Non-Executive Director

Simon Andrew joined the Board as a Non-Executive Director on July 21st, 2006 and also serves as a member of the Company's Audit and Risk Management Committee. Residing in Singapore, Mr. Andrew has significant experience in the Australian and Asia financial markets including extensive experience in corporate financing transactions. In the past 3 years Mr. Andrew has not served on the Boards of any publicly listed company.

**<u>Mr. Tim Hronsky</u>** B. Eng (Geology) Non-Executive Director

Tim Hronsky joined the Board as a Non-Executive Director on January 1st, 2007 and resigned from the Board on April 30th, 2008. Mr. Hronsky has over 20 years international experience in the mining industry and is a geological engineer and is a graduate of the Western Australian School of Mines.

**<u>Mr. Paul Hardie</u>** Non-Executive Director

Paul Hardie joined the Board as a Non-Executive Director on August 1st, 2008 and resigned on April 4th, 2007. Mr. Hardie is a practicing corporate lawyer, based in West Perth.

**Interests in the shares and options of the Company and related bodies corporate**

| Director | Number of Ordinary Shares | Number of Options over Ordinary Shares |
|---|---|---|
| Andrew McIlwain | 765,668 | 3,000,000 |
| Rob Bills | 2,012,500 | 10,000,000 |
| Tim Kestell | 6,536,030 | - |
| Simon Andrew | 6,136,029 | - |
| Tim Hronsky (resigned 30/04/08) | 113,542 | 2,000,000 |
| Paul Hardie (resigned (04/04/07) | - | - |

## <u>COMPANY SECRETARY</u>

**Mr. Shane Volk** B.Bus (Accounting)

Shane Volk joined the Company as Chief Financial Officer on March 17th, 2007 and was appointed Company Secretary on July 1st, 2007. Mr Volk holds a Bachelor of Business degree and has over 15 years mining and exploration industry experience including employment with BHP and Placer Dome (since acquired by Barrick Limited).

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## DIRECTORS MEETINGS

The number of meeting of directors (including meeting of committees of directors held during the year and the number of meetings attended by each director) was as follows:

| | Full Board | | Audit Committee | |
|---|---|---|---|---|
| **Meetings held during year** | 9 | | 1 | |
| **Meetings attended:** | Eligible | **Attended** | Eligible | **Attended** |
| Andrew McIlwain | 9 | **9** | - | **-** |
| Rob Bills (appointed 10/09/2007) | 8 | **8** | - | **-** |
| Tim Kestell | 9 | **9** | 1 | **1** |
| Simon Andrew | 9 | **6** | 1 | **1** |
| Timothy Hronsky (resigned 30/04/2008) | 8 | **8** | - | **-** |

## PRINCIPAL ACTIVITIES

The principal activities during the year of the entities within the consolidated group has been mineral exploration, focussing on gold.

## REVIEW OF OPERATIONS

Background

Emmerson Resources was incorporated as a private company in November 2005 by Mr. Tim Kestell who currently serves as a non-executive Director.

In July 2006 the Company acquired from the administrators of the former owners of Centralian Minerals Limited (formerly Giants Reef Mining Limited) a suite of exploration and mining tenements comprising some 2,700 kms², the 300,000 tonne per annum Warrego gold plant and associated exploration and support infrastructure, all of which are located in Tennant Creek mineral field, Northern Territory, Australia. The total cost of the acquisition was $8.5 million.

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Current year

The Company converted to a Public Company on October 25th, 2007 and in December 2007 completed the Initial Public Offering (IPO) of its shares, successfully raising $20.0 million. Shares of the Company listed on the Australian Securities Exchange (ASX) on December 17th, 2007.

During the year the Company completed the appointment of an experienced management team. Mr. Rob Bills was appointed as the Managing Director and Chief Executive Officer effective September 10th, 2007 and Mr. Steve Russell commenced on December 10th, 2007 as Exploration Manager – Tennant Creek.

On March 25th, 2008 the Company commenced its maiden field based exploration program with the commencement of the 2,950 sqr. km ground based detailed gravity survey which is scheduled for completion at the end of September 2008. Reverse Circulation (RC) drilling commenced on April 17th, 2008 at the West Gibbet prospect and is ongoing at year end. In June work commenced on a 2,650 sqr. km aero-magnetic survey.

Exploration

Post IPO the Company has focussed attention on the commencement of field based exploration activities within its Tennant Creek mineral tenements. Activities completed to June 30th, 2008 include:

1. 6,778 metres of Reverse Circulation drilling for 64 holes at 4 prospects (West Gibbet, Golden Kangaroo, Golden Forty and Eldorado shallows), the highlights being:

   (a) The high grade gold intersection at the West Gibbet prospect ( WGRC024 – 13m @ 66.9g/t Au from 74m incl. 9m @ 95.5g/t Au from 74m), announced on May 26th, 2008, and

   (b) The significant gold grade intersections at the Golden Kangaroo East prospect (GKRC056 – 10 m @ 7.53g/t from 47m, incl. 2m @ 35.64g/t and GKRC048 – 7m @ 5.16g/t from 19m, incl. 3m @ 10.04g/t).

2. 55% completion of the 2,950 sqr. km detailed ground based gravity survey; and

3. 60% completion of the 2,650 sqr km aerial magnetic survey.

In addition to Mr. Steve Russell (Exploration Manager – Tennant Creek) the Company has employed two field geologists, six operations and field services support staff and has engaged the services of a third field based geologist and a geophysicist via Western Geoscience Pty. Ltd, each on a contract basis.

Care and Maintenance

The Company continues to maintain the Warrego gold plant (300,000 tpa capacity) on care and maintenance and the plant remains in good condition.

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Rehabilitation

In April 2008 the Company granted salvage rights for the recovery of scrap metal from the abandoned Warrego town site to a scrap metal merchant in consideration for the merchant performing various remediation works within the town site in conjunction with the recovery of the scrap. The abandoned Warrego town is a site that was included in the purchase by the Company of the ex-Giant Reef Mining Limited assets. Under the terms and conditions of the Standstill Deed that the Group is a party to (details on page 19), the Group is currently under no obligation to undertake any rehabilitation. The works performed by the merchant provided a cost effective means for the Company to remediate this deteriorating area of prior activities with the Group's tenements and this arrangement has proven satisfactory and resulted in noticeable improvement at the abandoned site.

## FINANCIAL POSITION

The net loss of the consolidated entity for the financial year ended 30$^{th}$ June, 2008 was $1,966,627 (2007: $1,109,344).

At year end the Company held cash of $16,173,821. This is comprised term deposits of $15,770,000 and cash at bank of $403,821. In addition $638,360 is held on term deposit with the ANZ Bank to support Bank Guarantees of the same value lodged with the NT Government as guarantees to undertake environmental rehabilitation obligations associated with exploration activities and prior mining and ore processing activities.

## DIVIDENDS

No dividends have been paid or were declared or recommended by the Board of Directors during the period.

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company other than those referred to elsewhere in this report of the financial statements or notes thereto.

## EVENTS SUBSEQUENT TO BALANCE DATE

On 1 August 2008 the Company issued an additional 1,600,000 options to purchase ordinary shares in the Company pursuant to the Company Incentive Option Scheme. Each option has a strike price of $0.21 and an expiry date of 31 July, 2010.

No matters or circumstances have arisen since the end of the financial period which significantly affects the operations of the economic entity.

## FUTURE DEVELOPMENTS

At the date of this report there are no likely developments to be reported.

## SHARE OPTIONS

As at the date of this report there were 23,600,000 unissued ordinary shares under options (22,000,000 at the reporting date). Details are;

| Expiry Date | Exercise Price | Number of Options |
|---|---|---|
| 31 July, 2010 | $0.21 | 1,600,000 |
| 31 July, 2010 | $0.25 | 5,000,000 |
| 31 July, 2012 | $0.25 | 5,500,000 |
| 13 December, 2012 | $0.25 | 5,000,000 |
| 13 December, 2012 | $0.30 | 5,000,000 |
| 10 March, 2013 | $0.25 | 500,000 |
| 5 years from the date on which the 20 day Volume Weighted Average Price (VWAP) of the Company's shares (as traded on the ASX) is equal to or more than 1.5 times the VWAP calculated for the first 20 days trading of the Company's shares on the ASX | $0.25 | 1,000,000 |

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

During or since the end of the last financial year the company has not issued any shares as a result of the exercise of any share options.



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**REMUNERATION REPORT (Audited)**

This Remuneration Report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the five executives in the Company and the Group receiving the highest remuneration, however as the Company and Group have only two executives, only these are included in this report.

For the purposes of this report the term 'executive' encompasses the Managing Director and Chief Executive Officer and the Chief Financial Officer and Company Secretary.

Details of Key Management Personnel (including the five highest remunerated executives in the Company and the Group) are:

<u>Directors</u>

| | |
|---|---|
| Andrew McIlwain | Chairman (non-executive) |
| Robert Bills | Managing Director and Chief Executive Officer (appointed 10th September, 2007) |
| Tim Kestell | Director (non-executive) |
| Simon Andrew | Director (non-executive) |
| Timothy Hronsky | Director (non-executive) (resigned 30th April, 2008) |

<u>Executives</u>

| | |
|---|---|
| Shane Volk | Chief Financial Officer and Company Secretary |
| Steve Russell | Exploration Manager – Tennant Creek (appointed 10th December, 2007) |

There has been no change to the composition of Directors, the position of Chief Executive Officer or to Key Management Personnel during the period after reporting date and before the date the financial report was authorised for issue.

**Remuneration Philosophy**

The Company does not have a Remuneration Committee, however the Board is responsible for determining the remuneration philosophy of the Company and determining and reviewing compensation arrangements for the directors themselves, the executive team and other Key Management Personnel.

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.

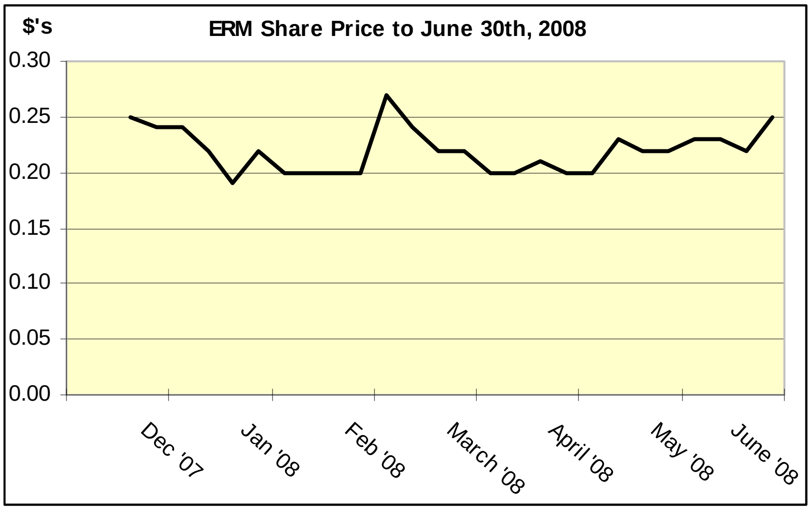
To this end the Company embodies the following principles in its remuneration framework:

- provide competitive rewards to attract high calibre executives;
- ensure total remuneration is competitive by market standards; and
- a portion of executive and KMP total remuneration is 'at risk'.

**REMUNERATION REPORT (Audited) (continued)**

**Group Performance**

The graph below shows the performance of the Group, as measured by the daily closing price of the Company's share on the ASX, since listing on December 17th, 2007:




Using the Initial Public Offering price of Company shares as the base for calculation, as at June 30th, 2008 total shareholder return since ASX listing is 25%.

**Remuneration Structure**

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

**Non-Executive Director Remuneration**

*Objective*

The Board sets an aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to the shareholders.

*Structure*

Remuneration consists of the following:

(a) Directors Fees

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then apportioned between the Directors, as agreed. The current maximum aggregate remuneration is $200,000 per year.



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**REMUNERATION REPORT (Audited) (continued)**

**Non-Executive Director Remuneration (continued)**

(a) Directors Fees (continued)

The amount of aggregate remuneration sought to be approved by shareholder and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive Directors of comparable companies when undertaking the annual review process. Each Director receives a fee for being a Director of the Company.

(b) Variable Remuneration - Long term Incentive

The objective of the Long Term Incentive is to reward directors in a manner that aligns remuneration with the creation of shareholder wealth.

Share purchase options for ordinary shares of the Company were granted to directors at the discretion of the Board, prior to the Company converting to a public Company. The exercise price, option expiry date and vesting conditions of the options were determined by the Board at the time of options issue in accordance with the terms and conditions of the Company's Incentive Option Scheme. Any future grant of share purchase options to directors will require shareholder approval in accordance with ASX listing rule 10.14.

The granting of long term incentives occurred at the commencement of the directorship. Each option has a three year life, but the options are not exercisable until two years after the issue date and there are no other vesting, performance or exercise conditions attached to the options as the Board feels that the expiry date and exercise price of options currently on issue to the directors is sufficient to align the goals of the directors and executives with those of the shareholders to maximise shareholder wealth. The Board will continue to monitor this to ensure that it is appropriate for the Company in future years.

Options are typically forfeited by the director upon departure from the board if vesting conditions have not been achieved and if vesting conditions have been met the options must be exercised within 60 days of cessation of the directorship. Under the terms and conditions of the Incentive Option Scheme the Board has the discretion to vary these conditions; in the case of Mr. Hronsky who resigned from the Board on April 30th, 2008, the Board resolved to waive the forfeiture conditions for his share purchase options.

Non-Executive Directors hold shares in the Company and the Board considers it to be good governance for Directors to have a stake in the Company on whose board he or she sits.

The remuneration for non-executive Directors for the financial year ending 30 June 2008 is detailed below.



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## REMUNERATION REPORT (Audited) (continued)

### Remuneration of Non-Executive Directors for the years ended 30 June, 2008 & 2007 (Consolidated)

| | | Short Term | | Post Employment | Share based payments | | | Percent-age perform-ance related |
|---|---|---|---|---|---|---|---|---|
| DIRECTOR | YEAR | SALARY & FEES | OTHER | SUPER-ANNUATION | OPTIONS | SHARES * | TOTAL | |
| **A. McIlwain** | **2008** | **46,050**[A] | **-** | **3,000** | **67,935** | **80,000** [D] | **196,985** | **-** |
| | 2007 | 15,896 | - | - | - | - | 15,896 | - |
| **T. Kestell** [#] | **2008** | **117,725** | **-** | **10,595** | **-** | **-** | **128,320** | **-** |
| | 2007 | 250,000 | - | 22,500 | - | - | 272,500 | - |
| **P. Hardie** [2] | **2008** | - | - | - | - | - | **-** | **-** |
| | 2007 | 8,133 | **-** | 732 | - | - | 8,865 | - |
| **S. Andrew** [3] | **2008** | **14,258** | **-** | **1,283** | **-** | **-** | **15,541** | **-** |
| | 2007 | - | - | - | - | - | **-** | - |
| **T. Hronsky** [4] | **2008** | **22,958** [B] | **-** | **-** | **45,290** [C] | **-** | **68,248** | **-** |
| | 2007 | 13,625 | - | - | - | - | 13,625 | - |

[1] Appointed February 1st, 2007

[2] Appointed August 1st, 2006, Resigned April 4th, 2007

[3] Appointed July 21st, 2006

[4] Appointed January 1st, 2007, Resigned April 30th, 2008

# Mr. Kestell was employed by the Company as a Managing Director until December 17th, 2007, at which time he ceased to act in an executive role.

[A] Salary & Fees paid to Mr. McIlwain in 2008 consist of cash director fee payments totalling $33,333 plus shares issued in lieu of cash director fees and attributable superannuation of $12,717.

[B] Salary & Fees paid to Mr. Hronsky in 2008 consist of cash director fee payments totalling $13,875, plus shares issued in lieu of cash director fees of $9,083.

[C] Options are typically forfeited by a director upon departure from the board if vesting conditions have not been achieved. In the case of Mr. Hronsky who resigned from the Board on April 30th, 2008, the Board resolved to waive the forfeiture conditions for his share purchase options in recognition of his contribution to the company during his time as a director.

[D] In October 2007 Mr. McIlwain purchased 500,000 ordinary shares of the Company from Mr. Andrew, a fellow director, for total consideration of $1.00. These shares had a value of $0.16 each, based on an information memorandum for the offer of ordinary shares of the Company to sophisticated investors dated July 27th, 2007. This sale and purchase of shares formed part of the total compensation package offered to Mr. McIlwain as Chairman of the Board of the Company.

### Compensation Options to Non-Executive Directors – Granted and vested during the financial year ending 30 June, 2008 (Consolidated)

During the year share purchase options were granted as equity compensation benefits to the directors in accordance with the terms and conditions of the Company's Incentive Option Scheme as disclosed below.

Each option was issued free of charge, each option entitles the holder to subscribe for one fully paid ordinary share in the Company at the specified exercise price on or prior to the expiry date only but after the vesting date. Each option has a three year life but the options are not exercisable until two years after the issue date and there are not other vesting, performance or exercise conditions attached to the options.

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**REMUNERATION REPORT (Audited) (continued)**

**Options granted to Non-Executive Directors during the financial year ending 30 June, 2008 (Consolidated)**

| | | Terms and Conditions of each options grant | | | | | |
|---|---|---|---|---|---|---|---|
| DIRECTOR | Options Granted | Options Vested | Grant Date | Fair Value per option at grant date $ | Exercise Price per option $ | First Exercise Date | Last Exercise Date and Expiry Date |
| A. McIlwain | 3,000,000 | 0 | 01.08.2007 | 0.049 | 0.25 | 01.08.2009 | 31.07.2010 |
| T. Hronsky * | 2,000,000 | 0 | 01.08.2007 | 0.049 | 0.25 | 01.08.2009 | 31.07.2010 |
| TOTALS | 5,000,000 | | | | | | |

* Resigned April 30th, 2008

The Company considers that the issue of options to Non-Executive Directors in August 2007 was appropriate given the state of the Company's evolution at that time and the Company believe that the payment of monetary fees alone was not an adequate incentive to enable the Company to attract and retain Non-Executive Directors of the requisite experience and qualifications.

**Options granted to Non-Executive Directors during the financial year ending 30 June, 2007 (Consolidated)**

There were no options granted to the Directors of the Company during the financial year ending 30 June, 2007.

**Compensation Shares to Non-Executive Directors – issued during the financial year ending 30 June, 2008 (Consolidated)**

During the year ending 30 June, 2008 ordinary fully paid shares were issued to the directors as disclosed below in lieu of cash payments for directors fee entitlements from date of appointment to 31 October, 2007. All directors fees payable post 31 October 2007 were paid as cash.

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## REMUNERATION REPORT (Audited) (continued)

**Compensation Shares to Non-Executive Directors – issued during the financial year ending 30 June, 2008 (Consolidated) (continued)**

| DIRECTOR | Date of Issue | Value per share $ | Director Fees 2007 | | Director Fees 2008 | | TOTALS | |
|---|---|---|---|---|---|---|---|---|
| | | | Number of fully paid shares Issued | Value $ | Number of fully paid shares Issued | Value $ | Number of fully paid shares Issued | Value $ |
| A. McIlwain | 31.10.07 | 0.20 | 79,479 | 15,896 | 63,583 | 12,717 | 143,062 | 28,613 |
| T. Hronsky * | 31.10.07 | 0.20 | 68,125 | 13,625 | 45,417 | 9,083 | 113,542 | 22,708 |
| TOTALS | | | 147,604 | 29,521 | 109,000 | 21,800 | 256,604 | 51,321 |

* Resigned April 30th, 2008

**Compensation Shares to Non-Executive Directors – issued during the financial year ending 30 June, 2007 (Consolidated)**

Mr. McIlwain and Mr. Hronsky each served as directors of the Company during the financial year ending 30 June, 2007 and were each entitled to receive Directors fees for their services, the 2007 Directors fees were paid in the financial year ending 30 June, 2008 in the form of fully paid ordinary shares of the Company at $0.20 per share as detailed in the above table.

There were no other Compensation Shares issued to Non-Executive Directors in the year ending 30 June, 2007.

### Managing Director and Executive Remuneration

*Objective*

The Company aims to reward executive with a level and mix of remuneration commensurate with their respective position and responsibilities.

*Structure*

The Board has entered into executive contracts of employment with the Managing Directors & Chief Executive Officer and the Chief Financial Officer & Company Secretary. Details of these contracts are provided below.

**REMUNERATION REPORT (Audited) (continued)**

**Managing Director & Chief Executive Officer, Chief Financial Officer & Company Secretary and Exploration Manager – Tennant Creek Employment Contracts**

It is the Board's policy that employment contracts are entered into with the Managing Director and Chief Executive Officer (CEO), the Chief Financial Officer and Company Secretary (CFO) and the Exploration Manager Tennant Creek. The CEO Mr. Rob Bills, the CFO Mr. Shane Volk and the Exploration Manager – Tennant Creek Mr Steve Russell are employed under contract. In the case of Mr. Bills and Mr. Volk the contracts each have a three year term, in the case of Mr. Russell the contract has no fixed term. Under the terms of the contracts:

- The executive may resign from their position and thus terminate their position by giving three months written notice in the case of Mr. Bills, two months written notice in the case of Mr. Volk and 4 weeks notice in the case of Mr. Russell.
- In the event that the Company terminates their employment contract, except in circumstances of misconduct or material breach of contract, the Company will pay to Mr. Bills if terminated prior to March 9th, 2009 (18 months after commencement date) salary to that date as a lump sum payment calculated on a straight line pro-rata basis as (18 months less months of service, divided by 18 months multiplied by 15 months salary), plus 3 months fixed remuneration in lieu of notice (if applicable); to Mr. Volk if terminated 2 months fixed remuneration in lieu of notice (if applicable) and to Mr. Russell if terminated 4 weeks remuneration in lieu of notice (if applicable) and the relocation of him and his family from Tennant Creek NT to Geraldton WA, except if termination was effected by the Company for reasons of misconduct or material breach of contract.

  Also, the terms and conditions of the Company's Incentive Option Scheme stipulate that i) upon resignation by the executive or ii) on termination of the executive by the Company or iii) upon the non-renewal of the 3 year contract of employment between the Company and the executive then any share options held by the executive that have vested may be exercised within 60 days of cessation of employment. Any share options that have not vested prior to the expiry of the 60 day term after resignation, termination or expiry of the employment contract will lapse. Under the terms and conditions of the Incentive Options Scheme the Board has the discretion to vary these conditions.

Remuneration consists of the following key elements:

- **Fixed remuneration** consisting of an annual base salary plus 9% superannuation;
- **'At risk' remuneration**, payable annually depending on the combination of Company performance (measure by the change in market capitalisation), exploration success and individual performance. At risk remuneration payments are based on a recommendation from the Managing Director & Chief Executive Officer, determined by the Board; and
- **Long term Incentives,** granted at the discretion of the Board in the form of share purchase options for ordinary shares of the Company. The exercise price, option expiry date and vesting conditions of the options are determined by the Board at the time of options issue in accordance with the terms and conditions of the Company's Incentive Option Scheme. To date each option issued has a five year life, but the options are not exercisable until two years after the issue date and there are no other vesting, performance or exercise conditions attached to the options as the Board feels that the expiry date and exercise price of options currently on issue to the executives is sufficient to align the goals of the executives with those of the shareholders to maximise shareholder wealth. The Board will continue to monitor this to ensure that it is appropriate for the Company in future years.



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**REMUNERATION REPORT (Audited) (continued)**

**Managing Director & Chief Executive Officer, Chief Financial Officer & Company Secretary and Exploration Manager – Tennant Creek Employment Contracts (continued)**

- **Long term Incentives (continued)**

  The objective of the long term incentive plan is to align elements of executive remuneration with the creation of shareholder wealth, as such long term incentives are awarded to executives and key management personnel who are able to influence the generation of shareholder wealth and thus have an impact on the Company's long term growth. Typically the granting of long term incentives occurs at the commencement of employment or in the event of an internal promotion – at that time. Share purchase options are required to be forfeited by the executive or key management personnel upon termination of employment if the vesting conditions have not been achieved. If vesting conditions have been met, the options must be exercised within 60 days of cessation of employment with the Company. Under the terms and conditions of the Incentive Option Scheme the Board has the discretion to vary these conditions.

**Remuneration of Executive Directors and other Key Management Personnel for the year ended 30 June, 2008 & 2007 (Consolidated)**

| | | Short Term | | Post Employment | Share Based Payments | | | Percent-age perform-ance related |
|---|---|---|---|---|---|---|---|---|
| EMPLOYEE | YEAR | SALARY & FEES $ | OTHER | SUPER-ANNUATION $ | OPTIONS $ | SHARES | TOTAL $ | |
| **R. Bills [5]** | **2008** | **232,785** | **-** | **20,951** | **202,710** | **240,000** | **696,446** | **-** |
| | 2007 | - | - | - | - | - | - | - |
| **S. Volk [6]** | **2008** | **240,925** | | **21,683** | **177,458** | **-** | **440,066** | **-** |
| | 2007 | 69,195 | - | 6,228 | - | - | 75,423 | - |
| **S. Russell [7]** | **2008** | **79,653** | **-** | **7,169** | **7,324** | **-** | **94,146** | **-** |
| | 2007 | - | - | - | - | - | - | - |

[5] Appointed September 10th, 2007 [6] Appointed March 19th, 2007

[7] Appointed December 10th, 2007

**Compensation Options to Executives and other Key Management Personnel – Granted and vested during the financial year ending 30 June, 2008 (Consolidated)**

During the year options were granted as equity compensation benefits to executives and key management personnel under the terms and conditions of the Company's Incentive Option Scheme as disclosed below. Each option was issued free of charge and entitles the holder to subscribe for one fully paid ordinary share in the Company at the specified exercise price on or prior to the expiry date only but after the vesting date.

## REMUNERATION REPORT (Audited) (continued)

### Options granted to Executive Directors and other Key Management Personnel during the financial year ending 30 June, 2008 (Consolidated)

| | | Terms and Conditions of each options grant | | | | | |
|---|---|---|---|---|---|---|---|
| EXECUTIVE or KEY MANAGEMENT | Options Granted | Options Vested | Grant Date | Fair Value per option at grant $ | Exercise Price $ | First Exercise Date | Last Exercise Date and Expiry Date |
| R. Bills | 5,000,000 | - | 31.10.2007 | 0.070 | 0.25 | 14.12.2009 | 13.12.2012 |
| R. Bills | 5,000,000 | - | 31.10.2007 | 0.060 | 0.30 | 14.06.2009 | 13.12.2012 |
| S. Volk | 5,000,000 | - | 01.08.2007 | 0.068 | 0.25 | 01.08.2009 | 31.07.2012 |
| S. Volk | 1,000,000 | - | 01.08.2007 | 0.080 | 0.25 | note 1 – below | |
| S Russell | 500,000 | - | 11.03.2008 | 0.096 | 0.25 | 11.03.2010 | 11.03.2013 |
| TOTALS | 16,500,000 | | | | | | |

**Note 1**

1,000,000 share purchase options issued to Mr. Volk have the First Exercise Date set at the date which is two years from the date on which the 20 day Volume Weighted Average Price (VWAP) of the Company's shares (as traded on the ASX) is equal to or more than 1.5 times the VWAP calculated for the first 20 days trading of the Company's shares on the ASX. The Last Exercise date is three years after the First Exercise Date. At the date of this report this condition has not been met and remains unknown.

### Options granted to Executive Directors and other Key Management Personnel during the financial year ending 30 June, 2007 (Consolidated)

There were no options granted to the Executive Directors and other Key Management Personnel of the Company during the financial year ending 30 June, 2007.

### Compensation Shares to Executives – issued during the financial year ending 30 June, 2008 (Consolidated)

In October 2007 Mr. Bills purchased a total of 500,000 ordinary fully paid shares of the Company from Mr. Andrew for total consideration of $1.00 and 1,000,000 ordinary fully paid shares of the Company from Mr. Kestell for total consideration of $1.00. This sale and purchase of shares formed part of the total compensation package offered to Mr. Bills for employment with the Company.

### Compensation Shares to Executives – issued during the financial year ending 30 June, 2007 (Consolidated)

There was no share based compensation paid to Executives of the Company during the financial year ending 30 June, 2007.

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## REMUNERATION REPORT (Audited) (continued)

### Value of Options Granted as part of Remuneration during the financial year ending 30 June, 2008 (Consolidated)

| | Value of options granted during year | Value of options exercised during year | Value of options lapsed during year | Total value of options granted, exercised and lapsed during year | Remuneration consisting of options for the year % |
|---|---|---|---|---|---|
| **Non-Executive Directors** | $ | $ | $ | $ | |
| A. McIlwain | 148,221 | - | - | **148,221** | **34%** |
| T. Hronsky ^ | 98,814 | - | - | **98,814** | **66%** |
| **Executive Directors and other Key Management** | | | | | |
| R. Bills | 649,082 | - | - | **649,082** | **29%** |
| S. Volk | 419,057 | - | - | **419,057** | **40%** |
| S. Russell | 47,800 | - | - | **47,800** | **8%** |

^ Options are typically forfeited by a director upon departure from the board if vesting conditions have not been achieved. In the case of Mr. Hronsky who resigned from the Board on April 30th, 2008, the Board resolved to waive the forfeiture conditions for his share purchase options in recognition of his contribution to the company during his time as a director.

### Options Granted as part of Remuneration during the financial year ending 30 June, 2007 (Consolidated)

The Company did not grant any options to Non-Executive Directors or to Executive Directors and other Key Management Personnel during the year ending 30 June, 2007.

## POLICY ON HEDGING OF OPTIONS

The Company's policy prohibits hedging of options granted under share option plans. Prohibited hedging practices include put/call arrangements over "in money" options to hedge against a future drop in share price. The Board considers such hedging to be against the spirit of a share option plan and inconsistent with shareholder objectives.

## INDEMNIFICATION OF DIRECTORS AND OFFICERS

Directors and Officers liability insurance is in place with insurer American Home Assurance Company (trading as AIG Australia). The policy provides for an indemnity limit of $5.0 million aggregate during the claim period which expires on 31 July, 2008.

During the financial year the Company indemnified both Mr. Tim Kestell and Mr. Simon Andrew against any personal taxation liability that may arise against either of them in relation to the sale by each of them of 1,000,000 ordinary fully paid shares of the Company on October 31st, 2007 to Mr. Bills (1,500,000 shares) and Mr. McIlwain (500,000 shares). The maximum estimated amount of this indemnity is $69,533.



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## ENVIRONMENTAL ISSUES

The Company is aware of its environmental and rehabilitation obligations and acts to ensure that its environmental commitments are met.

1. Santexco Pty Ltd (Santexco), a wholly owned subsidiary of the Company, entered into a Rehabilitation Agreement (dated 6 November 2001) with the Northern Territory (NT) Government, whereby Santexco is obliged to perform rehabilitation obligations to the value of $ 750,000 pa. for 6 years (a total obligation of $4.5 million) on various mineral tenements, or pay the difference between the actual rehabilitation performed per year on the tenements and $750,000 into a deposit account held by the NT Government each of the 6 anniversary dates of the agreement. To date Santexo has performed actual rehabilitation obligations of $333,041 and lodged a bank guarantee to the value of $416,958 with the NT Government. There are 5 anniversary dates for the agreement outstanding.

2. The Group is party to a binding agreement with the NT Government (Department of Primary Industry, Fisheries and Mines) dated 31 July 2007 whereby the NT Government has agreed that the rehabilitation obligations described in the Rehabilitation Agreement are suspended (on "standstill") until 45 days of cumulative commercial production from the Groups tenements.

Given the permanent standstill arrangement in place with the NT Government and that any recommencement of commercial production is at the complete discretion of the Group, there is currently no requirement for the Group to perform any rehabilitation obligations on any tenements, except to the extent that the rehabilitation relates to the exploration activities of the Group since July 2007.

## PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

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

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## NON-AUDIT SERVICES

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditors independence for the following reasons:

- all material non-audit services are reviewed an approved by the Board of Directors prior to commencement to ensure that they do not adversely affect the integrity and objectivity of the auditor; and

- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

The following fees for non-audit services were paid to the external auditors during the year ended 30 June, 2008:

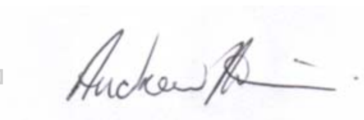
| | |
|---|---|
| Independent Accountants Report (capitalised as part of capital raising costs) | $16,000 |

## AUDITOR'S INDEPENDENCE DECLARATION

The Directors have received an independence declaration from the Company's auditors which is attached on page 29 and forms part of this report.

This report has been made in accordance with a resolution of the Board of Directors pursuant to s.298 (2) of the Corporations Act 2001.

Signed



Andrew McIlwain
Chairman
Perth: 24TH September, 2008

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The Board of Directors of Emmerson Resources Limited is responsible for the corporate governance of the group. The Board guides and monitors the business and affairs of Emmerson Resources Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

On May 26th, 2008 the Board of Directors resolved to 'early adopt' the 2nd Edition Corporate Governance Principles and Recommendation of the ASX Corporate Governance Council (released in August 2007). The Board aims to comply with the 2nd Edition recommendations to the extent that the Board believes the recommendations are practical and applicable to the Company and where the Company has not complied with a particular recommendation an explanation as to why not be made. The table below summarises the Company's compliance with the 2nd Edition recommendations.

**Summary of the compliance by the Company with the ASX Corporate Governance Council 2nd Edition recommendations:**

| Recommendation | | Comply Yes/No | Explanation or reference |
|---|---|---|---|
| 1.1 | Companies should establish the function reserved to the board and those delegated to senior executives and disclose those functions. | Yes | A clear distinction is made in section 2 of Company's Board Charter. |
| 1.2 | Companies should disclose the process for evaluating the performance of senior executives. | Yes | Refer to detailed explanation of Principle 1 |
| 1.3 | Companies should provide the information indicated in the Guide to reporting on Principle 1. | Yes | Refer to detailed explanation of Principle 1 |
| 2.1 | A majority of the board should be independent directors. | No | Mr. McIlwain is the sole Independent Director |
| 2.2 | The chair should be an independent director. | Yes | Mr. McIlwain is the Chair |
| 2.3 | The roles of chair and chief executive officer should not be exercised by the same individual. | Yes | Mr. Bill is the Chief Executive Officer, Mr. McIlwain the Chair. |
| 2.4 | The board should establish a nomination committee. | No | Refer to detailed explanation of Principle 2 |
| 2.5 | Companies should disclose the process for evaluating the performance of the board, its committees and individual directors. | Yes | Refer to detailed explanation of Principle 2 |
| 2.6 | Companies should provide the information indicated in the Guide to reporting on Principle 2. | Yes | Refer to detailed explanation of Principle 2 |

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| | | | |
|---|---|---|---|
| 3.1 | Companies should establish a code of conduct and disclose the code or a summary of the code as to:<br>• the practices necessary to maintain confidence in the company's integrity<br>• the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders<br>• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. | Yes | Available on the Company web site, as explained in the detailed explanation of Principle 3 |
| 3.2 | Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy. | Yes | Available on the Company web site, as explained in the detailed explanation of Principle 3 |
| 3.3 | Companies should provide the information indicated in the Guide to reporting on Principle 3. | Yes | Refer to detailed explanation of Principle 3 |
| 4.1 | The board should establish an audit committee. | Yes | Refer to detailed explanation of Principle 4 |
| 4.2 | The audit committee should be structured so that it:<br>• consists only of Non-Executive Directors<br>• consists of a majority of independent directors<br>• is chaired by an independent chair, who is not chair of the board<br>• has at least three members. | <br>Yes<br>No<br>No<br>No | An explanation as to non compliance with these recommendations is provided in the detailed explanation of Principle 4. |
| 4.3 | The audit committee should have a formal charter. | Yes | Available on the Company web site. |
| 4.4 | Companies should provide the information indicated in the Guide to reporting on Principle 4. | Yes | Refer to detailed explanation of Principle 4 |
| 5.1 | Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies. | Yes | Refer to detailed explanation of Principle 5 |

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| | | | |
|---|---|---|---|
| 5.2 | Companies should provide the information indicated in the Guide to reporting on Principle 5. | Yes | Refer to detailed explanation of Principle 5 |
| 6.1 | Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy. | Yes | Available on the Company web site. |
| 6.2 | Companies should provide the information indicated in the Guide to reporting on Principle 6. | Yes | Refer to detailed explanation of Principle 6 |
| 7.1 | Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies. | Yes | Available on the Company web site. |
| 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. | Yes | Refer to detailed explanation of Principle 7 |
| 7.3 | The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. | Yes | Refer to detailed explanation of Principle 7 |
| 7.4 | Companies should provide the information indicated in the Guide to reporting on Principle 7. | Yes | Refer to detailed explanation of Principle 7 |
| 8.1 | The board should establish a remuneration committee. | No | Refer to detailed explanation of Principle 8. |
| 8.2 | Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of executive directors and senior executives. | Yes | Refer to detailed explanation of Principle 8 |
| 8.3 | Companies should provide the information indicated in the Guide to reporting on Principle 8. | Yes | Refer to detailed explanation of Principle 8 |

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Emmerson Resources Limited Corporate Governance practices have evolved during the year and were all in place since listing on the ASX. A copy of all of the Company's Corporate Governance policies are available on the Company's website: www.emmersonresources.com.au

**Principle 1 - Lay solid foundations for management and oversight**

The Board is ultimately responsibility for all matters relating to the running of the Company, however the Board's role is to govern the Company rather than manage it; the operation and day to day management of the Company is delegated by the Board to the Managing Director & Chief Executive Officer (MD & CEO) and the executive management team.

The Board ensures that the executive management team is appropriately qualified and experienced to discharge their responsibilities and the Board has in place procedures to assess the performance of the MD & CEO and all other members of the executive; specifically the Board provides regular feedback to executive management on their performance during the year and conducts a formal annual review of performance against Key Performance Indicators and Critical Tasks. During reporting period, because of their respective lengths of service, the board did not conduct a formal annual review of the performance of the MD & CEO or any other members of executive management. During the reporting period the Board has however provided regular feedback to the MD & CEO and other executive management on their performance.

A copy of the Company's Board Charter is available on the Company's web site and contained within this charter is a statement of matters reserved for the Board. Also available on the Company's web site is the Company's Delegation of Authority policy which further details matters that specifically require the approval of the Board and those matters reserved for management.

Whilst at all times the Board retains full responsibility for guiding and monitoring the Company, in discharging its stewardship it makes use of sub-committees. Specialist sub-committees are able to focus on a particular responsibility and provide informed feedback to the Board. To this end the Board has established the following sub-committee:

- Audit and Risk Management Committee

The role and responsibilities of this committee is discussed in Principle 4 of this Corporate Governance Statement.

**Principle 2 - Structure the Board to add value**

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors Report. Directors of Emmerson Resources Limited are considered to be independent if they are free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered independent judgment.

In the context of director independence, 'materiality' is considered from both the Group and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the director in question to shape the direction of the Group.

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In accordance with the definition of independence above, and the materiality thresholds set, the following directors of Emmerson Resources Limited are considered to be independent:

| **Name** | **Position** |
|---|---|
| Mr. Andrew McIlwain | Chairman, Non-Executive Director |

The majority of the Directors of the Company are not independent at this time because the Board is of the view that shareholders interests are best served by the serving Directors intimate knowledge of the evolution of the Company; the Board is also of the view that the current Directors possess a suite of skills and experience appropriate for the Company at this time. Regardless of individual Director independence, the Board expects that each Director will bring their independent views and judgment to bear on Board decisions at all times.

There are procedures in place, agreed by the Board, to enable directors in furtherance of their duties to seek independent professional advice at the Company's expense.

The term of office held by each director in office at the date of this report is as follows:

| **Name** | **Term in Office** |
|---|---|
| Mr. Andrew McIlwain | 1 year and 5 months |
| Mr. Tim Kestell | 2 years and 7 months |
| Mr. Simon Andrew | 1 year and 11 months |
| Mr. Rob Bills | 9 months |

In June 2008 the Board conducted an evaluation of their performance. The Board Charter provides for the performance review to be conducted by the nomination committee, however in the absence of this committee the Board engaged an independent external consulting firm to conduct the review. The consultants report was received by the Board at the end of June and is under consideration.

At this time the Board has not formed a nomination committee as it is the view of the Board that the functions and responsibilities that would normally be the dealt with by this committee can be adequately addressed by the Board in its entirety as specific agenda items at scheduled Board meetings. When deemed appropriate (e.g. Board performance review). The Board engages independent consultants to assist it in fulfilling such functions.

**Principle 3 – Promote ethical and responsible decision-making**

The Company has established a code of conduct; the code provides a framework for decisions and actions in relation to ethical conduct, fair dealing and a duty of care for those engaged by the Company. The code applies to all directors, officers and employees of the Company and all consultants and contractors are made aware of the expectations contained within the code.

The Company has established a policy concerning trading Company securities which applies to Company directors, executives, employees and consultants and a copy of the policy is available on the Company's web site.

**Principle 4 – Safeguard integrity of financial reporting**

The Board has established an Audit and Risk Management Committee which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists and that proper oversight of material business risks exists within the Company. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information as well as non-financial considerations such as the integrity and exploration data and information, the processes for the identification and management of business risks and the benchmarking of operational key performance indicators. The Board has delegated responsibility for establishing and maintaining a framework of internal control, ethical standards and risk management to the Audit and Risk Management Committee.

The Committee has also provided the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports and the independence of the Company's external auditors. All members of the Audit and Risk Management Committee are Non-Executive Directors. A copy of the Audit and Risk Management Committee charter is available on the Company's web site; this charter contains details of the procedure for the selection and appointment of the external auditor.

The members of the Audit & Risk Management Committee during the year were;

| **Name** | **Position** |
|---|---|
| Mr. Tim Kestell | Chairman |
| Mr. Simon Andrew | Member |

For details on the number of meeting of the Audit and Risk Management Committee held during the year and the attendees at those meetings, refer to the Directors Meeting section within the Directors Report.

The Audit and Risk Management Committee is chaired by Mr. Tim Kestell and although Mr. Kestell is not an independent director, the Board is of the opinion that he possesses the necessary skills and experience required to chair this committee. The committee currently comprises only two member at this point in time the Board is satisfied that the size of the committee is not detrimental to the discharge of its functions and responsibilities.

The majority of the Audit and Risk Management Committee does not consist of independent directors however the Board is of the view that the absence of independence of Audit and Risk Management Committee members is not inhibiting the effectiveness of the committee in the discharge of its functions and responsibilities.

**Principle 5 – Make timely and balance disclosure**

The Company has in place mechanisms designed to ensure compliance with the ASX Listing Rule disclosure requirements, and is committed to ensuring that:

- all investors have equal and timely access to material information concerning the Company – including its financial position, performance, ownership and governance, and
- company announcements are factual and are presented in a clear and balanced way.

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**Principal 6 – Respect the rights of shareholders**

The Company has in place a policy for shareholder communications, a copy of which is available on the Company's web site. The underpinning principal of this policy is that all news or items that are deemed material or price sensitive are released immediately to the ASX.

All announcements made by the Company to the ASX are placed on the Company's web site; the Company endeavors to place copies of newsworthy independent press coverage about the Company in its web site and other current relevant information that may be of interest to shareholders.

**Principal 7 – Recognise and Manage Risk**

The Board determined the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Board has established an Audit and Risk Management Committee (refer to Principal 4) to aid it in the discharge of this responsibility.

The Company's process of risk management and internal compliance and control includes:

- establishing the Company's goals and objectives, and implementing and monitoring strategies and policies to achieve these goals and objectives;
- continuously identifying and measuring risks that might impact upon the achievement of the Company's goals and objective, and monitoring the environment for emerging factors and trends that affect these risks;
- formulating risk management strategies to manage identifies risks and designing and implementing appropriate risk management policies and internal controls; and
- monitoring the performance of and continuously improving the effectiveness of risk management systems and internal compliance and controls, including an annual assessment of the effectiveness of risk management and internal compliance and control.

To this end, comprehensive practices are in place that are directed towards achieving the following objectives:

- effective and efficient use of Company resources;
- compliance with all applicable laws and regulations; and
- preparation of reliable published financial and geological information.

The Company has adopted a Risk Management policy, a copy of which is available on the Company's web site.

The Board (via the Audit and Risk Management Committee) oversees an annual assessment of the effectiveness of risk management and internal compliance and control. The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required by the Audit and Risk Management Committee to assess risk management and associated internal compliance and control procedures and report back on the efficiency and effectiveness of risk management.

The Audit and Risk Management Committee has received a report from management on the risk management and internal control systems of the Company, including an opinion as to whether the Company's material business risks are being managed effectively.

The Chief Executive Officer and the Chief Financial Officer have provided a written statement to the Board that:

- their view provided on the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board; and
- that the Company's risk management and internal compliance and control system is operating effectively in all material respects.

**Principal 8 – Remunerate fairly and responsibly**

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team and the remuneration of directors and key executives fairly and appropriately with reference to prevailing employment market conditions is a key component of attaining this objective.

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves, the Managing Director and Chief Executive Officer and the executive team.

At this time the Board has not formed a remuneration committee as it is the view of the Board that the functions and responsibilities that would normally be the dealt with by this committee can be adequately addressed by the full Board as specific agenda items at scheduled Board meetings. When deemed appropriate the Board engages independent consultants to assist it in fulfilling such functions.

The Company does not have a scheme to provide retirement benefits to Non-Executive Directors.

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## Auditor's Independence Declaration to the Directors of Emmerson Resources Limited

In relation to our audit of the financial report of Emmerson Resources Limited for the financial year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

V. Tidy

V W Tidy
Partner
Perth
24 September 2008

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**BALANCE SHEET**
**As at 30 June 2008**

| | Note | Emmerson Resources Limited Consolidated Group 2008 $ | Consolidated Group 2007 $ | Company 2008 $ | Company 2007 $ |
|---|---|---|---|---|---|
| **CURRENT ASSETS** | | | | | |
| Cash and cash equivalents | 19(a) | 16,173,821 | 118,362 | 16,173,821 | 118,362 |
| Receivables | 5 | 303,102 | 13,942 | 303,102 | 13,942 |
| Other current assets | 6 | 27,761 | 13,710 | 27,761 | 13,710 |
| **TOTAL CURRENT ASSETS** | | 16,504,684 | 146,014 | 16,504,684 | 146,014 |
| **NON-CURRENT ASSETS** | | | | | |
| Receivables | 7 | - | - | 186,114 | 286,624 |
| Investments in Subsidiaries | 8 | - | - | 8,777,085 | 9,191,654 |
| Property, Plant & Equipment | 9 | 6,224,305 | 5,897,323 | 449,669 | 18,001 |
| Exploration and evaluation | 10 | 5,978,666 | 3,546,700 | 2,797,710 | 366,512 |
| Other financial assets | 11 | 638,360 | 530,469 | 638,360 | 530,469 |
| **TOTAL NON-CURRENT ASSETS** | | 12,841,331 | 9,974,492 | 12,848,938 | 10,393,260 |
| **TOTAL ASSETS** | | 29,346,015 | 10,120,506 | 29,353,622 | 10,539,274 |
| **CURRENT LIABILITIES** | | | | | |
| Trade and other payables | 12 | 1,438,522 | 937,125 | 1,441,268 | 941,052 |
| Provisions | 13 | 53,612 | 16,597 | 53,612 | 16,597 |
| Interest bearing liabilities | 14 | 10,272 | 48,219 | 10,272 | - |
| Payables | 15 | - | - | 4,998 | 463,060 |
| **TOTAL CURRENT LIABILITIES** | | 1,502,406 | 1,001,941 | 1,510,150 | 1,420,709 |
| **TOTAL LIABILITIES** | | 1,502,406 | 1,001,941 | 1,510,150 | 1,420,709 |
| **NET ASSETS** | | 27,843,609 | 9,118,565 | 27,843,472 | 9,118,565 |
| **EQUITY** | | | | | |
| Contributed equity | 16 | 30,183,692 | 10,325,778 | 30,183,692 | 10,325,778 |
| Share-based payments reserve | 17 | 833,757 | - | 833,757 | |
| Accumulated losses | 18 | (3,173,840) | (1,207,213) | (3,173,977) | (1,207,213) |
| **TOTAL EQUITY** | | 27,843,609 | 9,118,565 | 27,843,472 | 9,118,565 |

*The above Balance Sheet should be read in conjunction with the accompanying notes.*

**INCOME STATEMENT**
**For the year ended 30 June 2008**

| | Notes | Emmerson Resources Limited Consolidated Group 2008 $ | Consolidated Group 2007 $ | Company 2008 $ | Company 2007 $ |
|---|---|---|---|---|---|
| **Continuing Operations** | | | | | |
| Interest Income | | 779,600 | 42,066 | 779,600 | 42,066 |
| Other Income | 3 | 8,814 | - | 8,387 | - |
| **Total Income** | | 788,414 | 42,066 | 787,987 | 42,066 |
| Depreciation expense | | (96,683) | (3,976) | (92,797) | (3,976) |
| Corporate and legal expenses | | (441,290) | (200,744) | (440,314) | (200,744) |
| Employee benefits | | (1,051,316) | (533,132) | (1,051,316) | (533,132) |
| Share based payments | | (833,757) | - | (833,757) | - |
| Finance costs | | (7,143) | (3,750) | (7,143) | (3,750) |
| Occupancy expense | | (63,797) | (51,245) | (63,797) | (51,245) |
| Insurance | | (124,918) | (85,999) | (124,918) | (85,999) |
| General and administration expenses | | (136,137) | (272,564) | (140,709) | (272,564) |
| **Loss from continuing operations before income tax expense** | | (1,966,627) | (1,109,344) | (1,966,764) | (1,109,344) |
| Income tax (expense)/benefit | 21 | - | - | - | - |
| **Loss from continuing operations after tax** | | (1,966,627) | (1,109,344) | (1,966,764) | (1,109,344) |
| **Loss attributable to members of Emmerson Resources Limited** | | (1,966,627) | (1,109,344) | (1,966,764) | (1,109,344) |
| ***Loss per share for loss attributable to the ordinary equity holders of the company:*** | | | | | |
| Basic loss per share – cents per share | 4 | (1.23) | (1.3) | | |
| Diluted loss per share- cents per share | 4 | (1.23) | (1.3) | | |

*The above Income Statement should be read in conjunction with the accompanying notes.*



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## STATEMENT OF CHANGES IN EQUITY
**For the year ended 30 June 2008**

| Consolidated Group | Issued Capital ($) | Share-based payments reserve ($) | Accumulated losses ($) | Total ($) |
|---|---|---|---|---|
| **Balance at 1 July 2006** | 350,000 | - | (97,869) | 252,131 |
| Loss for period | - | - | (1,109,344) | (1,109,344) |
| Contributions of equity, net of transaction costs | 9,975,778 | - | - | 9,975,778 |
| **Balance at 30 June 2007** | **10,325,778** | **-** | **(1,207,213)** | **9,118,565** |
| **Balance at 1 July 2007** | **10,325,778** | **-** | **(1,207,213)** | **9,118,565** |
| Loss for period | - | - | (1,966,627) | (1,966,627) |
| Contributions of equity, net of transaction costs | 19,857,914 | - | - | 19,857,914 |
| Share Based Payments | - | 833,757 | **-** | 833,757 |
| **Balance at 30 June 2008** | **30,183,692** | **833,757** | **(3,173,840)** | **27,843,609** |

| Company | Issued Capital ($) | Share-based payments reserve ($) | Accumulated losses ($) | Total ($) |
|---|---|---|---|---|
| **Balance at 1 July 2006** | 350,000 | - | (97,869) | 252,131 |
| Loss for period | - | - | (1,109,344) | (1,109,344) |
| Contributions of equity, net of transaction costs | 9,975,778 | - | - | 9,975,778 |
| **Balance at 30 June 2007** | **10,325,778** | **-** | **(1,207,213)** | **9,118,565** |
| **Balance at 1 July 2007** | **10,325,778** | **-** | **(1,207,213)** | **9,118,565** |
| Loss for period | - | - | (1,966,764) | (1,966,764) |
| Contributions of equity, net of transaction costs | 19,857,914 | - | - | 19,857,914 |
| Share Based Payments | - | 833,757 | - | 833,757 |
| **Balance at 30 June 2008** | **30,183,692** | **833,757** | **(3,173,977)** | **27,843,472** |

*The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

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# CASH FLOW STATEMENT
**For the year ended 30 June 2008**

| | | Emmerson Resources Limited | | | |
|---|---|---|---|---|---|
| | | **Consolidated Group** | **Consolidated Group** | **Company** | **Company** |
| | **Note** | **2008 $** | **2007 $** | **2008 $** | **2007 $** |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Payments to suppliers and employees | | (2,417,761) | (236,806) | (2,419,817) | (232,880) |
| Interest received | | 599,724 | 28,124 | 599,724 | 28,124 |
| Interest paid | | (7,143) | (3,750) | (7,143) | (3,750) |
| Net cash inflow/ (outflow) in operating activities | 19(b) | (1,825,180) | (212,432) | (1,827,236) | (208,506) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Payments for property, plant and equipment | | (404,257) | (5,984,165) | (404,257) | (18,251) |
| Payments for exploration | | (1,426,656) | (3,219,672) | (1,108,477) | (366,512) |
| Payments for security deposits | | (107,891) | (530,469) | (107,892) | (530,469) |
| Loans to subsidiary companies | | - | - | (277,925) | (286,624) |
| Investment in subsidiaries | | - | - | - | (8,999,436) |
| Proceeds from sales of equipment | | 11,276 | - | 9,485 | - |
| Net cash inflow/(outflow) in investing activities | | (1,927,528) | (9,734,306) | (1,889,066) | (10,201,292) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Proceeds from share issue | | 21,101,330 | 10,069,559 | 21,101,330 | 10,069,559 |
| Share Issue Costs | | (1,243,416) | (93,781) | (1,243,416) | (93,781) |
| Finance Lease Payments | | (49,747) | - | (1,528) | - |
| Repayment of loan from director | | - | (100,000) | - | (100,000) |
| Loans from subsidiary companies | | - | - | (84,625) | 463,060 |
| Net cash provided by financing activities | | 19,808,167 | 9,875,778 | 19,771,761 | 10,338,838 |
| Net increase/ (decrease) in cash held | | 16,055,459 | (70,960) | 16,055,459 | (70,960) |
| Cash at beginning of the period | | 118,362 | 189,322 | 118,362 | 189,322 |
| Cash at end of the period | 19(a) | 16,173,821 | 118,362 | 16,173,821 | 118,362 |

*The above Cashflow Statements should be read in conjunction with the accompanying notes.*



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# 1. CORPORATE INFORMATION

Emmerson Resources Limited (the "Company") is a company limited by shares, incorporated and domiciled in Australia, and whose shares are publicly traded on the Australian Securities Exchange.

The consolidated financial statements of the Company as at and for the year ended 30 June 2008 comprise the Company and its subsidiaries (together referred to as the "Group" or "Consolidated Entity")

# 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Preparation**

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). The financial report has been prepared on a historical cost basis.

The report is presented in Australian Dollars.

**(a) Statement of Compliance**

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The Financial Statements were approved by the Board of Directors on September 24th, 2008.

**(b) New accounting standards and interpretations**

Except for the amendments arising from AASB2007-4; *Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments*, which the Group has early adopted, Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June, 2008.These are outlined in the table below.

| Reference | Title | Summary | Application date of Standard | Impact on Group financial report | Application date for Group |
|---|---|---|---|---|---|
| AASB Int. 12 (revised) | Determining whether an Arrangement contains a Lease | The revised interpretation specifically scopes out arrangements that fall within the scope of AASB Interpretation 12 | 1 January, 2008 | No change to accounting policy required. Therefore no impact | 1 July, 2008 |
| AASB 8 and AASB 2007-3 | Operating Segments and consequential amendments to other Australian Accounting Standards | New standard replacing AASB 114 *Segment Reporting* which adopts a management reporting approach to segment reporting | 1 January, 2009 | AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Groups financial statements. | 1 July, 2009 |

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**(b) New Accounting Standards and Interpretations (continued)**

| Reference | Title | Summary | Application date of Standard | Impact on Group financial report | Application date for Group |
|---|---|---|---|---|---|
| AASB 123 (Revised) and AASB 2007-6 | Borrowing costs and consequential amendments to other Australian Accounting Standards | The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. | 1 January, 2009 | No change to accounting policy required, therefore no impact. | 1 July, 2009 |
| AASB 101 (Revised ) and AASB 2007-8 | Presentation of Financial Statements and consequential amendment to other Australian Accounting Standards | Introduces a statement of comprehensive income. Other revisions include impacts on the statement of changes in equity, new presentation requirements for restatement or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements | 1 January, 2009 | These amendments are only expected to affect the presentation of the Groups financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements. | 1 July, 2009 |
| AASB 2008-1 | Amendments to Australian Accounting Standard – Share based Payments; Vesting Conditions and Cancellations | The amendments clarify the definition of “vesting conditions”, introducing the term “non-vesting conditions” for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. | 1 January, 2009 | The Group has share based payment arrangements that may be affected by these amendments. However, the Group has not yet determined the extent of the impact, if any. | 1 July, 2009 |
| AASB 2008-2 | Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation | The amendments provide a limited exception to the definition of a liability so as to allow an entity that issues puttable financial instruments with certain specified features, to classify those instruments as equity rather than financial liabilities. | 1 January, 2009 | These amendments are not expected to have any impact on the Groups financial report as the Group does not have on issue or expect to issue any puttable financial instruments as defined in the amendments. | 1 July, 2009 |



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## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**(b) New Accounting Standards and Interpretations (continued)**

| Reference | Title | Summary | Application date of Standard | Impact on Group financial report | Application date for Group |
|---|---|---|---|---|---|
| AASB 3 (Revised) | Business Combinations | The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered in to – to measure a non-controlling interest (formerly a minority interest) in the acquiree either its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively. | 1 January, 2009 | The Group does not expect to enter into any business combinations during the next financial year, therefore there is expected to be no impact. | 1 July, 2009 |
| AASB 127 (revised) | Consolidated and Separate Financial Statements | Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction. | 1 July, 2009 | If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or a loss in the Group's income statement. | 1 July, 2009 |
| AASB 2008-3 | Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 | Amending standard issued as a consequence of revisions to AASB 3 and AASB 127. | 1 July, 2009 | Refer to AASB 3 (Revised) and AASB 127 (Revised) above. | 1 July, 2009 |



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## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) New Accounting Standards and Interpretations (continued)

| Reference | Title | Summary | Application date of Standard | Impact on Group financial report | Application date for Group |
|---|---|---|---|---|---|
| Amendments to International Financial Reporting Standards | Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate | The main amendments of relevance to Australian entities are those made to IAS 27 deleting the "cost method" and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre and post acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment.<br><br>AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value. | 1 January, 2009 | As the group currently does not receive any dividends from subsidiaries, jointly controlled entities and associates as income there if expected to be no impact.<br><br>If the Group enters into any group reorganisation establishing new parent entities, an assessment will need to be made to determine if the reorganisation meets the conditions imposed to be effectively accounted for on a "carry-over basis" rather than at fair value. | 1 July, 2009 |
| Amendments to International Financial Reporting Standards | Improvements to IFRSs | The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts; Part 1 deals with changes in IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact. | 1 January, 2009 except for amendments to IFRS 5, which are effective from 1 July, 2009 | The Group has not yet determined the extent of the impact of the amendments, if any | 1 July, 2009 |

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**(c) Basis of Consolidation**

The consolidated financial statements comprise the financial statements of Emmerson Resources Limited and its subsidiaries (as outlined in Note 28) as at June 30$^{th}$ each year.

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

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

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

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

Investments in subsidiaries held by Emmerson Resources Limited are accounted for at cost is the separate financial statements of the parent entity.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

**(d) Use of significant estimates and judgements**

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

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(d) Use of significant estimates and judgements (continued)**

*Impairment of capitalised exploration and evaluation expenditure*

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

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligation) and changes to commodity prices. The extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future profits and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be redirect in the period in which this determinations is made.

*Impairment of property, plant and equipment*

Property, plant and equipment is reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of "value in use" (being the net present value of expected future cash flows of the relevant cash generating asset) and "fair value less cost to sell".

In determining value in use, future cash flows are based on:

- estimates of the quantities of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- future production levels;
- future commodity prices; and
- future cash costs of production and capital expenditure.

Variations to the expected future cash flows, and the timing thereof, could result in significant changes to any impairment losses recognised, if any, which could in turn impact future financial results.

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## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (d) Use of significant estimates and judgements (continued)

*Share Based Payments*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model, with the assumptions detailed in Note 26. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

The Group measures the cost of cash-settled share-based payments at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted (see Note 26).

### (e) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

### (f) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the cash flow statement, cash and cash equivalents consists of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included with interest-bearing loans and borrowings in current liabilities on the balance sheet.

### (g) Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

### (h) Financial instruments issued by the Company

*Debt and equity instruments*
Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

*Transaction costs on the issue of equity instruments*
Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

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### (i) Impairment of assets

At each reporting date, the entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

### (j) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation.

*Depreciation*
Depreciation is provided on a straight line and diminishing value basis on all property, plant and equipment, other than freehold land. This is done over the useful lives of the asset to the consolidated entity commencing from the time the asset is held ready for use.

The depreciation periods used for each class of depreciable assets are:

| Class of fixed asset | Depreciation period |
|---|---|
| Plant and equipment | 3 – 15 years |
| Furniture & fixtures | 5 – 10 years |
| Motor vehicles | 5 – 10 years |
| Office equipment | 3 – 10 years |
| Software | 3 – 5 years |
| Mill and processing plant | Life of Mine |

**(k) Trade and other payables**

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group 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 days of recognition.

**(l) Interest bearing loans and borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised costs using the effective interest method. Fees paid on the establishments of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

*Borrowing costs*
Borrowing costs are recognised as an expense when incurred. The Group does not currently hold qualifying asset but, if it did, the borrowing costs directly associated with the asset would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

**(m) Revenue recognition**

*Interest revenue*
Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

**(n) Income tax**

*Current tax*
Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(n) Income tax (continued)**

*Deferred tax*

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

*Current and deferred tax for the period*

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

**(o) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

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

**(p) Leases**

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

*Operating leases*
The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits or ownership of the leased item, are recognised as an expense on a straight line basis.

*Finance leases*
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset, or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve
a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit and loss.

**(q) Earnings per share**

Basis earnings per share is determined by dividing the profit from continuing operations after related income tax expense by the weighted average number of ordinary shares outstanding during the financial period.

Diluted earnings per share is calculated as net profit from continuing operations divided by the weighted average number of ordinary shares and dilutive potential ordinary shares taking in to account all unexercised share purchase options on issue and exercisable.

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## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (r) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that the consolidated entity's rights of tenure to that area of interest are current and that the costs are expected to be recouped through the successful development of the area or where activities in the area have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

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

### (s) Contributed equity

Ordinary shares are classified as equity.

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

### (t) Share based payments

*Equity settled transactions*
The Group provides benefits to its employees (including Key Management Personnel) in the form of share based payments, whereby, at the discretion of the Board of Directors, employees are from time to time issued with share purchase options as part of their total remuneration package (equity settled transactions).

The Group currently operates an Incentive Option Scheme, which provided benefits to Directors, Executives, Employees and key Consultants.

The cost of the equity settles transactions with employees (for awards granted after 1 July 2007 that were unvested at 30 June 2008) is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model, further details of which are given in Note 26.

In valuing equity-settled transactions, no account is taken of any market-based vesting conditions, other than conditions linked to the price of the shares of the Company, if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the aware (the vesting date).

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## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (t) Share based payments (continued)

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of:

(i) the grant date fair value award;
(ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-marked performance conditions being met; and
(iii) the expired portion of the vesting period.

The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

Equity-settled awards are granted by the Company only; there is no grant by subsidiaries.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that marked condition is fulfilled, provided that all other conditions are satisfied.

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

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

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted loss per share (see note 4).

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## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (u) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one period together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one period, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one period have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee entitlement expected to be settled within twelve months of the reporting date are measured at their nominal amounts. All other employee entitlement liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the interest rates attached to government guaranteed securities which have terms to maturity approximating the terms of the related liability are used.

Employee entitlements expenses and revenues arising are charged against profits on a net basis in their respective categories.

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## 3. OTHER INCOME

| | Consolidated Group 2008 $ | Consolidated Group 2007 $ | Company 2008 $ | Company 2007 $ |
|---|---|---|---|---|
| Profit on sale of assets | 8,412 | - | 7,985 | - |
| Sundry income | 402 | - | 402 | - |
| | 8,814 | - | 8,387 | - |

Emmerson Resources Limited

## 4. LOSS PER SHARE

| | Consolidated Group 2008 $ | Consolidated Group 2007 $ |
|---|---|---|
| Basic loss per share – cents per share | (1.23) | (1.3) |
| Diluted loss per share – cents per share | (1.23) | (1.3) |
| The following reflects the income and share data used in the calculations of basic loss per share and diluted loss per share: | | |
| Net profit / (loss) | (1,966,627) | (1,109,344) |
| *Weighted average number of shares outstanding:* | | |
| Weighted average number of ordinary shares used in calculating basic loss per share: | 159,324,102 | 85,409,193 |
| Weighted average number of ordinary shares used in calculating diluted loss per share: | 159,324,102 | 85,409,193 |

**(a) Classification of securities**

Diluted loss per share is calculated after classifying all exercisable options on issue and all ownership based remuneration scheme shares remaining unconverted at 30 June 2008 as potential ordinary shares. As at 30 June 2008, the Company has on issue 22,000,000 options over unissued capital, however none have vested, hence none are exercisable.

**(b) Conversions, calls, subscriptions or issues after 30 June 2008.**

On 1 August 2008, the Company issued 1,600,000 options to purchase share capital. The options have exercise prices of $0.21, and an expiry date of July 31st, 2010.

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| | Consolidated Group 2008 $ | Consolidated Group 2007 $ | Company 2008 $ | Company 2007 $ |
|---|---|---|---|---|
| **5. CURRENT RECEIVABLES** | | | | |
| Accrued interest | 193,818 | 13,942 | 193,818 | 13,942 |
| Stamp duty refund | 79,127 | - | 79,127 | - |
| GST Refund | 28,281 | - | 28,281 | - |
| Miscellaneous Receivable | 1,876 | - | 1,876 | - |
| | 303,102 | 13,942 | 303,102 | 13,942 |

Accrued interest will be received within 30 days and all other current receivables are estimated to be received within 90 days.

## 6. OTHER CURRENT ASSETS

| | | | | |
|---|---|---|---|---|
| Prepaid insurance | 5,523 | 13,710 | 5,523 | 13,710 |
| Deposits | 8,320 | - | 8,320 | - |
| Other prepayments | 13,918 | - | 13,918 | - |
| | 27,761 | 13,710 | 27,761 | 13,710 |

## 7. NON CURRENT RECEIVABLES

| | | | | |
|---|---|---|---|---|
| Loans to wholly owned subsidiaries | - | - | 186,114 | 286,624 |

The loans to wholly owned subsidiaries are non-interest bearing and repayable on demand, however the Company for the foreseeable future, continues to provide financial support and has no intention of demanding repayment until the subsidiaries have the capacity to do so.

## 8. INVESTMENT IN SUBSIDIARIES

| | | | | |
|---|---|---|---|---|
| Investments in controlled entities at cost (refer note 28) | - | - | 8,777,085 | 9,191,654 |

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## 9. PROPERTY, PLANT AND EQUIPMENT

| | Consolidated Group 2008 | Consolidated Group 2007 | Company 2008 | Company 2007 |
|---|---|---|---|---|
| Land & Buildings: | | | | |
| At cost | 2,035 | - | 2,035 | - |
| Accumulated depreciation | (142) | - | (142) | - |
| | 1,893 | - | 1,893 | - |
| Motor vehicles: | | | | |
| At cost | 248,520 | 153,541 | 94,979 | - |
| Accumulated depreciation | (97,984) | (48,369) | (14,399) | - |
| | 150,536 | 105,172 | 80,580 | - |
| Computer Software & Hardware: | | | | |
| At cost | 170,149 | - | 170,149 | - |
| Accumulated depreciation | (16,131) | - | (16,131) | - |
| | 154,018 | - | 154,018 | - |
| Plant and equipment: | | | | |
| At cost | 5,854,359 | 5,851,990 | 5,233 | 1,500 |
| Accumulated depreciation | (149,315) | (82,692) | (839) | (53) |
| | 5,705,044 | 5,769,298 | 4,394 | 1,447 |
| Office Equipment, Furniture & Fittings | | | | |
| At cost | 63,070 | 30,578 | 52,970 | 20,478 |
| Accumulated depreciation | (25,207) | (7,725) | (19,137) | (3,924) |
| | 37,863 | 22,853 | 33,833 | 16,554 |
| Capital projects in progress | 174,951 | - | 174,951 | - |
| | | - | | - |
| **Total property, plant and equipment – written down value** | 6,224,305 | 5,897,323 | 449,669 | 18,001 |

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## 9. PROPERTY, PLANT AND EQUIPMENT (continued)

**Emmerson Resources Limited**

| Consolidated Group: | Land & Building | Motor vehicles | Software & Hardware | Plant & Equipment | Office Equipment Furniture and Fittings | Capital in progress | Total |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| **Balance at 30 June 2006** | **-** | **-** | **-** | **-** | **3,725** | **-** | **3,725** |
| Additions | - | 153,541 | - | 5,851,990 | 22,929 | - | **6,028,460** |
| Depreciation expense | - | (48,369) | - | (82,692) | (3,801) | - | **(134,862)** |
| **Balance at 30 June 2007** | **-** | **105,172** | **-** | **5,769,298** | **22,853** | **-** | **5,897,323** |
| Additions | 2,035 | 94,979 | 170,149 | 5,233 | 36,416 | 174,951 | **483,763** |
| Disposals | - | - | - | (2,864) | - | - | **(2,864)** |
| Depreciation expense | (142) | (49,615) | (16,131) | (66,623) | (21,406) | - | **(153,917)** |
| **Balance at 30 June 2008** | **1,893** | **150,536** | **154,018** | **5,705,044** | **37,863** | **174,951** | **6,224,305** |

| Company: | Land & Building | Motor vehicles | Software & Hardware | Plant & Equipment | Office Equipment, Furniture and Fittings | Capital in progress | Total |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| **Balance at 30 June 2006** | **-** | **-** | **-** | **-** | **3,725** | **-** | **3,725** |
| Additions | - | - | - | 1,500 | 16,752 | - | **18,252** |
| Depreciation expense | - | - | - | (53) | (3,923) | - | **(3,976)** |
| **Balance at 30 June 2007** | **-** | **-** | **-** | **1,447** | **16,554** | **-** | **18,001** |
| Additions | 2,035 | 94,979 | 170,149 | 5,285 | 36,416 | 174,951 | **483,815** |
| Disposals | - | - | - | (1,500) | - | - | **(1,500)** |
| Depreciation expense | (142) | (14,399) | (16,131) | (838) | (19,137) | - | **(50,647)** |
| **Balance at 30 June 2008** | **1,893** | **80,580** | **154,018** | **4,394** | **33,833** | **174,951** | **449,669** |

## 9. PROPERTY, PLANT AND EQUIPMENT (continued)

### (a) Assets pledged as security

Motor vehicles and office equipment include the following amounts where the Group is a lessee under a finance lease:

**Emmerson Resources Limited**

| | Consolidated Group 2008 $ | Consolidated Group 2007 $ | Company 2008 $ | Company 2007 $ |
|---|---|---|---|---|
| Photo Copier: | | | | |
| At cost | 11,800 | - | 11,800 | - |
| Accumulated depreciation | (3,576) | - | (3,576) | - |
| Motor vehicles: | | | | |
| At cost | - | 100,041 | - | - |
| Accumulated depreciation | - | (36,508) | - | - |
| | 8,224 | 63,533 | 8,224 | - |

### (b) Mill and processing plant

The Group's mill and processing plant (the *"Warrego Mill"*) is not being depreciated; depreciation will commence upon the recommencement of use.

## 10. EXPLORATION AND EVALUATION

| | Consolidated Group 2008 | Consolidated Group 2007 | Company 2008 | Company 2007 |
|---|---|---|---|---|
| At cost | 5,978,666 | 3,546,700 | 2,797,710 | 366,512 |
| **Opening net book amount** | 3,546,700 | - | 366,512 | - |
| Additions | 2,431,966 | 3,546,700 | 2,431,198 | 366,512 |
| **Closing net book amount** | 5,978,666 | 3,546,700 | 2,797,710 | 366,512 |

The ultimate recoupment of costs carried forward for exploration expenditure is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

## 11. OTHER FINANCIAL ASSETS

| | Consolidated Group 2008 | Consolidated Group 2007 | Company 2008 | Company 2007 |
|---|---|---|---|---|
| Security deposits held on potential rehabilitation obligations by the Northern Territory government | 638,360 | 530,469 | 638,360 | 530,469 |
| | 638,360 | 530,469 | 638,360 | 530,469 |

The security deposits lodged with the Northern Territory government are in the form of dollar for dollar cash backed Bank Guarantees and are stated at fair value.



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| | Consolidated Group 2008 $ | Consolidated Group 2007 $ | Company 2008 $ | Company 2007 $ |
|---|---|---|---|---|

## 12. TRADE AND OTHER PAYABLES

| | Consolidated Group 2008 $ | Consolidated Group 2007 $ | Company 2008 $ | Company 2007 $ |
|---|---|---|---|---|
| **Current** | | | | |
| Trade payables | 897,203 | 173,057 | 897,204 | 173,057 |
| Accrued expenses | 503,221 | 764,068 | 505,966 | 767,995 |
| Superannuation & Wages | 38,098 | - | 38,098 | - |
| | 1,438,522 | 937,125 | 1,441,268 | 941,052 |

**(a) Terms and conditions relating to the above financial instruments.**

All current payables are non-interest bearing and are normally settled on 30-day terms.

## 13. PROVISIONS

| | Consolidated Group 2008 $ | Consolidated Group 2007 $ | Company 2008 $ | Company 2007 $ |
|---|---|---|---|---|
| Employee benefits – annual leave | 53,612 | 16,597 | 53,612 | 16,597 |

## 14. INTEREST BEARING LIABILITIES

| | Consolidated Group 2008 $ | Consolidated Group 2007 $ | Company 2008 $ | Company 2007 $ |
|---|---|---|---|---|
| Finance lease liability | 10,272 | 48,219 | 10,272 | - |

## 15. PAYABLES

| | Consolidated Group 2008 $ | Consolidated Group 2007 $ | Company 2008 $ | Company 2007 $ |
|---|---|---|---|---|
| Loan from a wholly owned subsidiary company | - | - | 4,998 | 463,060 |

The loan is to a wholly owned subsidiary, is non-interest bearing and repayable upon demand, and there is no expectation that these loans will be recalled in the foreseeable future.

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| | Consolidated Group 2008 $ | Consolidated Group 2007 $ |
|---|---|---|
| **16. CONTRIBUTED EQUITY** | | |
| **(a) Issued and paid up capital** | | |
| Fully paid ordinary shares | 30,183,692 | 10,325,778 |

| | 2008 Number of shares | 2008 $ | 2007 Number of shares | 2007 $ |
|---|---|---|---|---|
| **(b) Movements in shares on issue** | | | | |
| Beginning of the financial year | 96,666,109 | 10,325,778 | 3,500,000 | 350,000 |
| Issued during the year [1] | 106,819,104 | 21,101,330 | 93,166,109 | 10,069,559 |
| Transaction costs on issue | - | (1,243,416) | - | (93,781) |
| End of the financial year | 203,485,213 | 30,183,692 | 96,666,109 | 10,325,778 |

[1] The Company issued 100,000,000 shares at $0.20 in December 2007 as an Initial Public Offering. The Company issued 6,562,500 shares between July and October 2007 at $0.16. The Company issued 256,604 shares at $0.20 to directors on October 31st, 2007 in lieu of the cash payment of director fees. During the financial year ending 30 June, 2007 the Company issued 72,956,550 shares at $0.125, 5,937,500 shares at $0.16 and 14,272,059 shares for nil consideration.

**(c) Terms and condition of contributed equity**

*Ordinary shares*

Ordinary shares have the right to receive dividends as declared and in the event of the winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

**(d) Share options**

At 30 June, 2008 there were 22,000,000 unissued ordinary shares for which options were outstanding (refer to Note 26 for details).

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## 16. CONTRIBUTED EQUITY (continued)

### (e) Shares

Except for this issuance of the additional share purchase options described in (d) above, there have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potentially ordinary shares outstanding between the reporting date and the date of completion of these financial statements

### (f) Capital Management

When managing capital, management's objective is to ensure the Company and consolidated entity continues as a going concern as well as to maintain optimal returns to shareholder and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the Company and consolidated entity. Managed capital is disclosed on the face of the balance sheet and comprises shareholder equity, accumulated losses and reserves.

Management may adjust the capital structure to take advantage of favourable costs of capital or higher returns on assets. As the market is constantly changing, management may issue new shares or sell assets to raise cash, change the amount of dividends to be paid to shareholders (if at all) or return capital to shareholders.

During the financial year ending 30 June, 2008 management did not pay a dividend and does not expect to pay a dividend in the foreseeable future.

The company is not subject to any externally imposed capital requirements.

**Emmerson Resources Limited**

| **17. SHARE BASED PAYMENTS RESERVE** | **Consolidated Group 2008 $** | **Consolidated Group 2007 $** | **Company 2008 $** | **Company 2007 $** |
|---|---|---|---|---|
| Balance at the beginning of year | - | - | - | - |
| Share-based payments expense | 833,757 | - | 833,757 | - |
| Balance at the end of year | 833,757 | - | 833,757 | - |

## 18. ACCUMULATED LOSSES

| | | | | |
|---|---|---|---|---|
| Balance at the beginning of year | (1,207,213) | (97,869) | (1,207,213) | (97,869) |
| Net loss attributable to members of Emmerson Resources Limited | (1,966,627) | (1,109,344) | (1,966,764) | (1,109,344) |
| Balance at the end of year | (3,173,840) | (1,207,213) | (3,173,977) | (1,207,213) |

## 19 NOTES TO THE CASH FLOW STATEMENT

**Emmerson Resources Limited**

| | Consolidated Group 2008 $ | Consolidated Group 2007 $ | Company 2008 $ | Company 2007 $ |
|---|---|---|---|---|
| **(a) Reconciliation of cash** | | | | |
| For the purposes of the Statement of Cash Flows, cash includes cash on hand and with banks. | | | | |
| Cash at the end of the financial period as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows: | | | | |
| Cash at bank | 403,821 | 98,362 | 403,821 | 98,362 |
| Term deposits | 15,770,000 | 20,000 | 15,770,000 | 20,000 |
| | 16,173,821 | 118,362 | 16,173,821 | 118,362 |
| **(b) Reconciliation of cash flow from operations with loss from continuing operations after income tax** | | | | |
| Loss after income tax | (1,966,627) | (1,109,344) | (1,961,766) | (1,109,344) |
| Non-cash flows in loss from continuing operations: | | | | |
| Depreciation | 96,683 | 3,976 | 92,797 | 3,976 |
| Share-based payment | 833,757 | - | 833,757 | - |
| Changes in assets and liabilities: | | | | |
| (Increase) / decrease in receivables | (179,058) | (8,879) | (179,058) | (8,879) |
| (Increase) / decrease in prepayments | (123,333) | (13,710) | (123,333) | (13,710) |
| Increase / (decrease) in payables | (514,680) | 898,928 | (517,711) | 902,854 |
| Increase / (decrease) in provisions | 28,078 | 16,597 | 28,078 | 16,597 |
| Net cash (used in)/generated by operating activities | (1,825,180) | (212,432) | (1,827,236) | (208,506) |

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## 20. EXPENDITURE COMMITMENTS



| | Consolidated Group 2008 $ | Consolidated Group 2007 $ | Company 2008 $ | Company 2007 $ |
|---|---|---|---|---|
| **(a) Capital expenditure commitments** | | | | |
| **Property plant & equipment commitments** | | | | |
| Within one year | | | | |
| - 4wd vehicle | 62,500 | - | 62,500 | - |
| - Geophysics equipment | 59,000 | - | 59,000 | - |
| | 121,500 | - | 121,500 | - |
| **(b) Mineral tenement commitments** | | | | |
| - Within one year | 710,450 | 499,450 | - | - |
| - Later than one year but not later than five years | 833,500 | 1,038,950 | - | - |
| - Later than five years | - | - | - | - |
| Aggregate mineral tenement expenditure contracted for at balance date | 1,543,950 | 1,538,400 | - | - |
| **(c) Lease expenditure commitments** | | | | |
| ***Operating leases (non-cancellable):*** | | | | |
| Minimum lease payments | | | | |
| - Within one year | 185,690 | 111,804 | 185,690 | 111,804 |
| - Later than one year but not later than five years | - | - | - | - |
| - Later than five years | - | - | - | - |
| Aggregate operating lease expenditure contracted for at balance date | 185,690 | 111,804 | 185,690 | 111,804 |
| ***Finance leases:*** | | | | |
| Minimum lease payments | | | | |
| - Within one year | 3,343 | 56,771 | 3,343 | - |
| - After one year but not more than five years | 9,837 | - | 9,837 | - |
| - Later than five years | - | - | - | - |
| **Total minimum lease payments** | 13,180 | 56,771 | 13,180 | - |
| Less amounts representing finance charges | 2,908 | - | 2,908 | - |
| Present value of minimum lease payments | 10,272 | - | 10,272 | - |
| **(d) Services commitments** (exploration drilling and geophysical surveys) | | | | |
| - Within one year | 1,423,550 | 79,200 | 1,423,550 | 79,200 |
| - Later than one year but not later than five years | - | - | - | - |
| - Later than five years | - | - | - | - |
| Aggregate service expenditure contracted for at balance date | 1,423,550 | 79,200 | 1,423,550 | 79,200 |

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## 21. INCOME TAX

| | Consolidated Group | | Company | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| | $ | $ | $ | $ |
| **(a) Income tax expense** | | | | |
| The major components of income tax expense are: | | | | |
| **Income statement** | | | | |
| Current income tax expense/(credit) | - | - | - | - |
| Deferred tax | - | - | - | - |
| **Income tax expense reported in the income statement** | - | - | - | - |

**(b) Numerical reconciliation of accounting profit to tax expense**

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

| | Consolidated Group 2008 $ | Consolidated Group 2007 $ | Company 2008 $ | Company 2007 $ |
|---|---|---|---|---|
| **Accounting loss before income tax** | **(1,966,627)** | **(1,109,344)** | **(1,966,764)** | **(1,109,344)** |
| At the consolidated entity's statutory income tax rate of 30% (2007: 30%) | (589,988) | (332,803) | (590,029) | (332,803) |
| Share based payments (tax effect) | 250,127 | - | 250,127 | - |
| | (339,861) | (332,803) | (339,902) | (332,803) |
| Income tax benefit not recognised | 339,861 | 332,803 | 339,902 | 332,803 |
| **Income tax expense reported in the income statement** | - | - | - | - |

**(c) Current income tax**

| | Consolidated Group 2008 $ | Consolidated Group 2007 $ | Company 2008 $ | Company 2007 $ |
|---|---|---|---|---|
| Current tax liability | - | - | - | - |

## 21. INCOME TAX (continued)

### (d) Deferred income tax

| | Consolidated Group 2008 $ | Consolidated Group 2007 $ | Company 2008 $ | Company 2007 $ |
|---|---|---|---|---|
| **Balance sheet** | | | | |
| Deferred income tax relates to the following: | | | | |
| *Deferred tax liabilities* | | | | |
| Exploration, evaluation and development expenditure | (1,008,556) | (278,966) | (839,313) | (109,953) |
| Others | (58,145) | - | (58,145) | - |
| Gross deferred tax liabilities | (1,066,701) | (278,966) | (897,458) | (109,953) |
| Offset deferred tax assets | 1,066,701 | 278,966 | 897,458 | 109,953 |
| Net deferred tax liabilities | - | - | - | - |
| *Deferred tax assets* | | | | |
| Creditors and accruals | 46,469 | - | 46,469 | - |
| Provisions | 16,084 | - | 16,084 | - |
| Tax Losses Recognised | 1,004,148 | 278,966 | 834,905 | 109,953 |
| Gross deferred tax assets | 1,066,701 | 278,966 | 897,458 | 109,953 |
| Offset deferred tax assets | (1,066,701) | (276,966) | (897,458) | (109,953) |
| Net deferred tax assets | - | - | - | - |

### (e) Tax losses

| | Consolidated Group 2008 $ | Consolidated Group 2007 $ | Company 2008 $ | Company 2007 $ |
|---|---|---|---|---|
| Estimated unused tax losses for which no deferred tax asset has been recognised | 2,242,216 | 1,109,343 | 2,100,221 | 967,213 |
| Potential tax benefit at 30% | 672,665 | 332,803 | 630,066 | 290,164 |

The benefit of these tax losses will only be obtained if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect realising the benefit.



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## 21. INCOME TAX (continued)

### (f) Tax consolidation

Emmerson Resources Limited has chosen to form a tax consolidated group with effect from 1 August 2006 when it acquired all the issued shares in its wholly owned subsidiaries.

The entities have not entered into a tax funding agreement or tax sharing agreement.

## 22. CONTINGENCIES

The Group has the following contingent liabilities:

1. Santexco Pty Ltd (Santexco) a wholly owned subsidiary of the Company entered into a Rehabilitation Agreement (dated 6 November 2001) with the Northern Territory (NT) Government, whereby Santexco is obliged to perform rehabilitation obligations to the value of $ 750,000 pa. for 6 years (a total obligation of $4.5 million) on various mineral tenements, or pay the difference between the actual rehabilitation performed per year on the tenements and $750,000 into a deposit account held by the NT Government each of the 6 anniversary dates of the agreement. To date Santexo has performed actual rehabilitation obligations of $333,041 and lodged a bank guarantee to the value of $416,958 with the NT Government. There are 5 anniversary dates for the agreement outstanding.

2. The Group is party to a binding agreement with the NT Government (Department of Primary Industry, Fisheries and Mines) dated 31 July 2007 whereby the NT Government has agreed that the rehabilitation obligations described in the Rehabilitation Agreement are suspended (on “standstill”) until 45 days of cumulative commercial production from the Group’s tenements.

## 23. EVENTS AFTER THE BALANCE DATE

On 1 August, 2008 the Company issued an additional 1,600,000 options to purchase ordinary shares in the Company pursuant to the Company Incentive Option Scheme. Each option has a strike price of $0.21 and an expiry date of 31 July, 2010.

There are no other matters or circumstances that have arisen since the end of the financial year to the date of the report, which have significantly affected, or may significantly affect the operations of the Company or the Group, the results of the Company or the Group or the state of affairs of the Company or the Group in subsequent financial years.

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## 24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and Company's principal financial instruments comprise cash and short-term deposits. The main purpose of these financial instruments is to fund the Group's operations.

Primary responsibility of the identification and control or financial risks rests with the Company's Audit and Risk Management Committee under the authority of the Board. The Board reviews and agrees policy form managing each of the risks identified below, including setting of limits for credit allowances.

The main risks arising from the Group's financial instruments are credit risk and interest rate risk. The board reviews and agrees policies for managing each of these risks and they are summarised below:

**a) Interest rate risk**

The Group's exposure to interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. The Group does not have a formal policy in place to mitigate such risks as the Group's income and operating cash flows are not materially exposed to changes in market interest rates. Inter-company loans between members of the Group are interest free.

***At balance date, the Group had the following financial assets which are interest bearing:***

| | Emmerson Resources Limited | | | |
|---|---|---|---|---|
| | Consolidated Group 2008 $ | Consolidated Group 2007 $ | Company 2008 $ | Company 2007 $ |
| **Financial Assets** | | | | |
| Cash term deposits (fixed interest rates) | 15,770,000 | 20,000 | 15,770,000 | 20,000 |
| Cash term deposits backing bank guarantees (fixed interest rates) | 638,360 | 530,469 | 638,360 | 530,469 |
| Cash on call (variable interest rates) | 403,821 | 98,362 | 403,821 | 98,362 |
| | 16,812,181 | 648,831 | 16,812,181 | 648,831 |
| **Total** | 16,812,181 | 648,831 | 16,812,181 | 648,831 |

Cash term deposits and cash term deposits backing bank guarantees have fixed interest rates and therefore are not exposed to interest rate movement as at 30 June, 2008.

At 30 June, 2008, if interest rates had moved, with all other variables held constant, the impact on post-tax losses and equity would be minimal because the majority of the Company's financial assets were subject to fixed interest rates by virtue of being in the form of Term Deposits.

The company constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, and the mix of fixed and variable interest rates and term deposits terms.

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## 24. FINANCIAL RISK MANAGEMENT AND POLICIES (continued)

**b) Maturity analysis of financial assets and liabilities based on management's expectations**

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Leasing obligations and trade payables mainly originate from the financing of assets used in our ongoing operations such as property, plant and equipment and investments in working capital. The Group monitors existing financial assets and liabilities to enable an effective controlling of future risk.

| Year ended 30 June 2008 | ≤ 6months | 6 – 12 months | 1 – 5 years | Total |
|---|---|---|---|---|
| **Consolidated** | | | | |
| *Financial Assets* | | | | |
| Cash & Cash equivalents | 16,153,821 | 20,000 | - | 16,173,821 |
| Receivables | 195,694 | - | - | 195,694 |
| | 16,349,515 | 20,000 | - | 16,369,515 |
| **Consolidated** | | | | |
| *Financial Liabilities* | | | | |
| Trade & Other payables | (1,400,424) | - | - | (1,400,424) |
| Interest bearing loans | (1,689) | (1,689) | (7,584) | (10,962) |
| | (1,402,113) | (1,689) | (7,584) | (1,411,386) |
| **Net Maturity** | **14,947,402** | **18,311** | **(7,584)** | **14,958,129** |

| Year ended 30 June 2008 | ≤ 6months | 6 – 12 months | 1 – 5 years | Total |
|---|---|---|---|---|
| **Company** | | | | |
| *Financial Assets* | | | | |
| Cash & Cash equivalents | 16,153,821 | 20,000 | - | 16,173,821 |
| Receivables | 195,694 | - | - | 195,694 |
| | 16,349,515 | 20,000 | - | 16,369,515 |
| **Company** | | | | |
| *Financial Liabilities* | | | | |
| Trade & Other payables | (1,403,170) | - | - | (1,403,170) |
| Interest bearing loans | (1,689) | (1,689) | (7,584) | (10,962) |
| | (1,404,859) | (1,689) | (7,584) | (1,414,132) |
| **Net Maturity** | **14,944,656** | **18,311** | **(7,584)** | **14,955,383** |

## 24. FINANCIAL RISK MANAGEMENT AND POLICIES (continued)

**b) Maturity analysis of financial assets and liabilities based on management's expectations (continued)**

| Year ended 30 June 2007 | ≤ 6months | 6 – 12 months | 1 – 5 years | Total |
|---|---|---|---|---|
| **Consolidated** | | | | |
| *Financial Assets* | | | | |
| Cash & Cash equivalents | 118,362 | - | - | 118,362 |
| Receivables | 13,942 | - | - | 13,942 |
| | 132,304 | - | - | 132,304 |
| **Consolidated** | | | | |
| *Financial Liabilities* | | | | |
| Trade & Other payables | (937,125) | - | - | (937,125) |
| Interest bearing loans | (48,219) | - | - | (48,219) |
| | (985,344) | - | - | (985,344) |
| **Net Maturity** | **(853,040)** | **-** | **-** | **(853,040)** |

| Year ended 30 June 2007 | ≤ 6months | 6 – 12 months | 1 – 5 years | Total |
|---|---|---|---|---|
| **Company** | | | | |
| *Financial Assets* | | | | |
| Cash & Cash equivalents | 118,362 | - | - | 118,362 |
| Receivables | 13,942 | - | - | 13,942 |
| | 132,304 | - | - | 132,304 |
| **Company** | | | | |
| *Financial Liabilities* | | | | |
| Trade & Other payables | (941,052) | - | - | (941,052) |
| Interest bearing loans | (48,219) | - | - | (48,219) |
| | (989,271) | - | - | (989,271) |
| **Net Maturity** | **(856,967)** | **-** | **-** | **(856,967)** |

**c) Fair value of financial instruments**

The directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

The fair values and fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

Transaction costs are included in the determination of fair value.



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## 25. SEGMENT INFORMATION

The consolidated entity operates in the one business and geographical segment, being gold exploration in Australia.

## 26. SHARE BASED PAYMENTS

### (a) Incentive Option Scheme

The Group has an Incentive Option Scheme (IOS) for the grant of share purchase options to directors, executives, employee's and key consultants. The IOS is designed to align participants' interest with those of shareholder by increasing the value of the Company's shares. The scheme also provides a retention incentive for participants.

Relevant terms and conditions of the IOS, include:

i. the exercise price of the options is set by the Board of Directors with reference to the prevailing market price of the Company's shares;

ii. the Board sets vesting conditions for the options, all options currently on issue have a vesting date two years from the date of grant;

iii. typically the granting of share purchase options occurs at the commencement of directorship, employment or consultancy with the Company;

iv. share purchase options are typically forfeited by the recipient upon departure from the Company if vesting conditions have not been achieved, if vesting conditions have been met then the options must be exercised within 60 days of departure from the Company else the options expire. Under the terms and conditions of the IOS the Board of the Company has the discretion to vary these forfeiture conditions; and

v. Upon exercise the options will settle in ordinary shares of Emmerson Resources Limited upon payment by the option holder of the exercise price for each option.

### (b) A summary of options granted under the Incentive Option Scheme and their respective vesting conditions are as follows:

| PARTICIPANT | Options Granted | Options Vested | Grant Date | Exercise Price $ | First Exercise Date | Last Exercise Date |
|---|---|---|---|---|---|---|
| **Directors** | 5,000,000 | None | 01.08.2007 | 0.25 | 01.08.2009 | 31.07.2010 |
| **Executive** | 5,000,000 | None | 31.10.2007 | 0.25 | 14.12.2009 | 13.12.2012 |
| **Executive** | 5,000,000 | None | 31.10.2007 | 0.30 | 14.06.2009 | 13.12.2012 |
| **Executive & Key Employee's** | 5,500,000 | None | 01.08.2007 | 0.25 | 01.08.2009 | 31.07.2012 |
| **Executive** | 1,000,000 | None | 01.08.2007 | 0.25 | note 1 – below | |
| **Key Employee** | 500,000 | None | 11.03.2008 | 0.25 | 11.03.2010 | 10.03.2013 |
| **TOTALS** | **22,000,000** | | | | | |

**Options exercisable at the end of the year:** **Nil** (2007: nil)

**Options exercised during the year:** **Nil** (2007: nil)

**Note 1**

1,000,000 share purchase options issued on 01-08-2007 have the First Exercise Date set at the date which is two years from the date on which the 20 day Volume Weighted Average Price (VWAP) of the Company's shares (as traded on the ASX) is equal to or more than 1.5 times the VWAP calculated for the first 20 days trading of the Company's shares on the ASX. The Last Exercise date is three years after the First Exercise Date. At the date of this report this condition has not been met and remains unknown.

## 26. SHARE BASED PAYMENTS (continued)

### (c) Weighted average remaining contractual life

The weighted average remaining contract life for the share options outstanding at June 30th, 2008 is 3 years 10 months.

### (d) Range of exercise price

The range of exercise prices for options outstanding as at June 30th, 2008 was $0.25 to $0.30 (2007: none)

### (e) Weighted average fair value

The weighted average fair value of options granted during the year was $0.064

### (f) Option pricing model

The fair value of the options is estimated at the date of grant using a Black Scholes model. The following table give the assumptions made on determining the fair value of the options granted in the year:

| Grant date | 01.8.2007 | 01.8.2007 | 01.8.2008 | 31.10.2007 | 31.10.2007 | 11.3.2008 |
|---|---|---|---|---|---|---|
| Dividend yield (%) | - | - | - | - | | |
| Expected volatility % | 60% | 60% | 60% | 60% | 60% | 60% |
| Risk free interest rate % | 6.51% | 6.51% | 6.51% | 6.51% | 6.51% | 6.51% |
| Expected life of option (years) | 5 | 5 | 6.5 | 5 | 5 | 5 |
| Exercise Price ($) | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 |
| Share price at grant date ($) | 0.16 | 0.16 | 0.16 | 0.16 | 0.16 | 0.21 |

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur.

The expected volatility reflects the assumption that the historical sector volatility is indicative of further trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

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## 27. KEY MANAGEMENT PERSONNEL

### (a) Compensation for Key Management Personnel

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | $ | $ | $ | $ |
| Short-term employment benefits | 754,354 | 356,849 | 754,354 | 356,849 |
| Post-employment benefits | 64,681 | 29,460 | 64,681 | 29,460 |
| Share based payments | 820,717 | - | 820,717 | - |
| TOTALS | **1,639,752** | **386,309** | **1,639,752** | **386,309** |

### (b) Option holdings of Key Management Personnel (Consolidated)

| **30 June 2008** | **Balance 1 July 2007** | **Granted as Remun-eration** | **Options Exercised** | **Net other change** | **Balance 30 June, 2008** | **Vested at 30th June, 2008** | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | **Total** | **Exerc-isable** | **Not Exercisable** |
| **Directors** | | | | | | | | |
| A McIlwain | - | 3,000,000 | - | - | 3,000,000 | - | - | - |
| R Bills * | - | 10,000,000 | - | - | 10,000,000 | - | - | - |
| T Hronsky # | - | 2,000,000 | - | - | 2,000,000 | - | - | - |
| **Executives** | | | | | | | | |
| S Volk | - | 6,000,000 | - | - | 6,000,000 | - | - | - |
| S Russell ** | - | 500,000 | - | - | 500,000 | - | - | - |
| | | 21,500,000 | - | - | 21,500,000 | - | - | - |

* Appointed 10 September, 2007
** Appointed 10 December, 2007
# Resigned 30 April, 2008

| **30 June 2007** | **Balance 1 July 2006** | **Granted as Remun-eration** | **Options Exercised** | **Net other change** | **Balance 30 June, 2007** | **Vested at 30th June, 2007** | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | **Total** | **Exerc-isable** | **Not Exercisable** |
| **Directors** | | | | | | | | |
| A McIlwain^ | - | - | - | - | - | - | - | - |
| T Hronsky^^ | - | - | - | - | - | - | - | - |
| **Executives** | | | | | | | | |
| S Volk ^^^ | - | - | - | - | - | - | - | - |
| | | - | - | - | - | - | - | - |

^ Appointed 1 February, 2007
^^ Appointed 1 January, 2007
^^^ Appointed 17 March, 2007

## 27. KEY MANAGEMENT PERSONNEL (continued)

### (c) Shareholdings of Key Management Personnel (Consolidated)

*Shares held in Emmerson Resources Limited (number)*

| June 30th 2008 | Balance 1 July 2007 | Granted as Remuneration | Exercise of Options | Net Change Other | Balance 30 June 2008 |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| A McIlwain | - | 143,062 [A] | - | 622,606 | 765,668 |
| R Bills * | - | - | - | 2,012,500 | 2,012,500 |
| T Kestell | 7,136,030 | - | - | (600,000) | 6,536,030 |
| S Andrew | 7,136,029 | - | - | (1,000,000) | 6,136,029 |
| T Hronsky # | - | 113,542 [B] | - | - | 113,542 |
| **Executives** | | | | | |
| S Volk | - | - | - | 631,250 | 631,250 |
| S Russell ** | - | - | - | 12,500 | 12,500 |
| | **14,272,059** | **256,604** | **-** | **1,678,856** | **16,207,519** |

* Appointed 10 September, 2007
** Appointed 10 December, 2007
# Resigned 30 April, 2008

[A] Of the shares granted to Mr. McIlwain in 2008, 79,479 shares were remuneration in lieu of cash for services as a director of the Company for the period 1 February, 2007 to 30 June, 2007 and 63,583 shares were for remuneration in lieu of cash for services as a director of the Company from 1 July, 2007 to 31 October, 2007.

[B] Of the shares granted to Mr. Hronsky in 2008, 68,125 shares were remuneration in lieu of cash for services as a director of the Company for the period 1 January, 2007 to 30 June, 2007 and 45,417 shares were for remuneration in lieu of cash for services as a director of the Company from 1 July, 2007 to 31 October, 2007.

| June 30th 2007 | Balance 1 July, 2006 | Granted as Remuneration | Exercise of Options | Net Change Other | Balance 30 June, 2007 |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| A McIlwain ^ | - | - | - | - | - |
| T Kestell | 1 | - | - | 7,136,029 | 7,136,030 |
| S Andrew | - | - | - | 7,136,029 | 7,136,029 |
| **Executives** | | | | | |
| S Volk ^^ | - | - | - | - | - |
| | **1** | **-** | **-** | **14,272,058** | **14,272,059** |

^ Appointed 1 February, 2007
^^ Appointed 17 March, 2007



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## 27. KEY MANAGEMENT PERSONNEL (continued)

**(c) Shareholdings of Key Management Personnel (Consolidated) (continued)**

With the exception of:

i. the shares issued to Messer's Kestell and Andrew in July 2006, and

ii. the shares purchased by Messer's McIlwain and Bills from Messer's Kestell and Andrew in October 2007,

all other equity transactions with Directors and executives have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arms length.

**(d) Other transactions and balances with Key Management Personnel and their related parties**

(i) Mr. McIlwain is a Director of MacFac Pty Ltd; fees of $33,688 (2007: $4,950) were paid to MacFac Pty Ltd for services provided to the Company over and above the Chairman's fees. This amount was expensed during the year. At year end there was nil outstanding (2007: $0).

(ii) Mr. Hronsky is a Director of Essential Risk Solutions Limited; fees of $66,230 (2007: $62,050) were paid to Essential Risk Solutions for services provided to the Company over and above the Directors fees. This amount was expensed during the year. At year end there was nil outstanding (2007:$0).

(iii) In 2007 a $100,000 non-interest bearing loan made to the Company in 2006 from Mr. Andrew (non-executive director) was repaid in full.

(iv) On October 31st, 2007 Mr. Tim Kestell (non-executive director) and Mr. Simon Andrew (non-executive director) each sold 1,000,000 ordinary shares of the Company to Mr. Bills (1,500,000 shares) and Mr. McIlwain (500,000 shares) for in each case $1.00 for each parcel of shares.

## 28. RELATED PARTY DISCLOSURE

### (a) Subsidiaries

The consolidated financial statements include the financial statements of Emmerson Resources Limited and the subsidiaries listed in the following table.

| Name of Entity | Country of Incorporation | Ownership Interest | | Investment at Cost | |
|---|---|---|---|---|---|
| | | 2007 | 2008 | 2007 | 2008 |
| Giants Reef Exploration Pty Ltd | Australia | 100% | 100% | $8,751,085 | $8,751,085 |
| Santexco Pty Ltd | Australia | 100% | 100% | $10 | $10 |
| TC8 Pty Ltd | Australia | 100% | 100% | $26,000 | $26,000 |

**(b) Ultimate parent**

Emmerson Resources Limited is the ultimate parent entity

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## 28. RELATED PARTY DISCLOSURE (continued)

**(c) Key Management Personnel**

Details relating to Key Management Personnel, including remuneration paid, are included in note 27.

**(d) Transactions with related parties**

*Employees*

Contributions to superannuation funds on behalf of employees for the financial year ended 30 June, 2008 were $136,648 (2007: $32,784).
*Terms and conditions of transactions with related parties*

Outstanding inter-company loan balances at year end are unsecured and are not interest bearing.

## 29. AUDITORS REMUNERATION

**Auditors remuneration**

The auditor of Emmerson Resources Limited is Ernst & Young

| *Amounts received or due and receivable by Ernst & Young (Australia) for:* | **Consolidated** | | **Company** | |
|---|---|---|---|---|
| | **2008** **$** | 2007 $ | **2008** **$** | 2007 $ |
| An audit or review of the financial report of the entity and any other entity in the consolidated group | 41,000 | 15,000 | 41,000 | 15,000 |
| Other services in relation to the entity and any other entity in the consolidated group | 16,000 | - | 16,000 | - |
| TOTALS | **57,000** | **15,000** | **57,000** | **15,000** |

## DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Emmerson Resources Limited ("the Company") I state that:

In the opinion of the directors:

(a) the financial statements and notes included in the directors' report designated as audited, of the company and of the consolidated entity are in accordance with the *Corporations Act,* 2001, including:

giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

complying with Accounting Standards and Corporation Regulations 2001; and

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

The declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act* 2001 for the financial year ended 30 June, 2008.

On behalf of the Directors,

A. McIlwain
Director & Chairman of the Board

Perth: September 24th, 2008

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# Independent auditor's report to the members of Emmerson Resources Limited

## Report on the Financial Report

We have audited the accompanying financial report of Emmerson Resources Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of recognised changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(a), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. 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 met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.



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### *Auditor's Opinion*

In our opinion:

1. the financial report of Emmerson Resources Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the financial position of Emmerson Resources Limited and the consolidated entity at 30 June 2008 and of their 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*.

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

## Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 18 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### *Auditor's Opinion*

In our opinion the Remuneration Report of Emmerson Resources Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

T. Tidy

V W Tidy
Partner
Perth
24 September 2008