



**AUSMON RESOURCES
LIMITED**

2010 ANNUAL REPORT



CORPORATE DIRECTORY

AUSMON RESOURCES LIMITED ABN 88 134 358 964

Directors

King M Fan (Non-Executive Chairman)
David W King (Non-Executive Deputy Chairman)
John Q Wang – Executive
Gang (Gary) Zheng - Executive

Company Secretary

John Q Wang

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CHAIRMAN'S LETTER

Dear Shareholder,

I am pleased to present you the second Annual Report of Ausmon Resources Limited.

During the past year we had focussed on gold and copper as commodities which we believe to have good outlook in the near term. Our team assessed several projects in Australia and overseas and consequently we invested in two very exciting opportunities with potential for good value growth.

In October 2009, entering the North American mining market we acquired a significant interest in Premium Exploration Inc. ("PEM"), a company listed on the Canadian TSX Venture Exchange. The advanced gold projects in Idaho, USA of this company has proved our initial positive assessment with very exciting drill results. We acquired 5,750,000 shares at C\$0.20 per share, each with an attached warrant exercisable at C\$0.30 per share. At the date of this report, the shares closed at C\$0.48 having traded as high as C\$0.67 since our acquisition. PEM is presently well funded having raised C\$10 million in July 2010 and is currently carrying out a 10,000 metres Phase - 3 drilling programme.

In December 2009, we bought Great Western Minerals Limited ("GWM") which had farm in arrangements to earn 51% interests in three exploration licences (ELs 6400, 6464 and 6424) covering an area of 753 square kilometres north east of Broken Hill in New South Wales, Australia. These licences are located in the Koonenberry Belt with geological terrains that are highly prospective for copper and gold. Within ELs 6400 and 6464 are the extensive Grasmere and Peveril copper-zinc-silver-gold deposits, which contain a JORC compliant resource. Within EL 6424 is the historic Wertago (Copper) and Nutherungie (Silver) fields.

However, we have since acquired 100% control of all the three licences terminating the work expenditure obligations under the farm in arrangements. With respect to EL 6424 we had to spend \$500,000 to earn 51% and another \$500,000 to earn an additional 24%. In ELs 6400 and 6464 we had obligations to spend \$1,000,000 to earn 51% and another \$1,000,000 to earn an additional 24% if so elected by the licence holder. We are now designing exploration programmes according to our own funding plans to realise the potential of these underexplored areas.

Following identification of drilling targets in the tenements, namely Pooraka, Mt Barrow and Tindarey, near Cobar we drilled ten holes of 100 metres each in late 2009. We obtained valuable geological information and further exploration is planned for the area in the current tenement year to May 2011.

At Cumnock, near Orange, our soil sampling programme detected several new gold/copper anomalies and we have identified good targets for drilling in the current tenement year to May 2011.

We continue to be cautious in our selection of new projects and exploration programme expenditure being mindful of the risks in the current global financial market. At this stage, we aim to put our efforts in developing our existing projects and to consider new ventures which can generate cash flows in the near term.

I would like to thank the team at Ausmon for their continued efforts and our loyal shareholders for their support as we continue to lay the building blocks for growing the Company.



King M Fan

Chairman

30 September 2010



REVIEW OF OPERATIONS

SUMMARY

CORPORATE

- Office relocated to Level 15, 370 Pitt Street, Sydney.
- Private placement of securities raised \$1.2 million in October 2009.
- Strategic investment in October 2009 of \$1.2 million in Premium Exploration Inc. ("PEM"), a North American gold and precious metals explorer with advanced exploration projects and listed on TSX Venture Exchange of Canada (TSX-V).
- Acquisition in December 2009 of 100% of Great Western Minerals Limited, an Australian company with a focus on exploration for copper in the Koonenberry Belt north east of Broken Hill. Projects include Grasmere-Peveril Copper resources and the historic Wertago (copper) and Nutherungie (silver) fields.

North America

- In November/December 2009 PEM drilled 6 holes in the Phase-2 drill program of the Friday-Petsite Gold Project in Idaho, USA. In 3 deep HQ core holes, very significant, broad gold intersections were encountered.
- PEM commenced scoping study at Friday-Petsite Gold Project in March 2010.
- PEM obtained very significant results for the first 3 new holes in their 10,000 m Phase-3 drill program of the Friday-Petsite Gold Project.
- PEM is well funded for its exploration and development plans following completion of a C\$10 million capital raising in July 2010.
- PEM second 3 new holes and subsequent 6 new holes of the 10,000 m Phase-3 drill program of the Friday-Petsite Gold Project obtained further significant results.

Australia

- Pooraka EL 6413, Tindarey EL 6415, Mt Barrow EL 6416 and Cumnock EL 6417 in NSW were renewed, with a compulsory 50% area reduction, for 2 years to 16 May 2011.
- On Cumnock EL 6417, soil sampling revealed several significant anomalies requiring testing by RC percussion drilling in the 2010/2011 tenement year.
- Pooraka EL 6413, Tindarey EL 6415 and Mt Barrow EL 6416 near Cobar: RC Percussion drilling (10 x 100 m holes into bedrock gold targets) was completed in October/November 2009. Tindarey EL 6415 returned disappointing results. Other ELs results require follow-up.
- New EL application (ELA 3818) was made at Pooraka to protect and retain prospective ground near, and on strike from, Mt Boppy. EL 7564 under the ELA 3818 was granted in June 2010.
- Intensive field work on Mary River EL 26007, near Pine Creek, NT was undertaken in September 2009. The EL was renewed with area reduction, and the DPI Annual Report submitted and accepted.
- In December 2009, joint venture interests in 51% earn-in arrangements in three highly prospective exploration licences (ELs 6400, 6424 and 6464) were acquired (via Great Western Minerals Limited) in the Koonenberry Belt near Broken Hill, including one with large JORC compliant copper resource.
- A detailed aeromagnetic/radiometric survey was completed in April 2010 on ELs 6400, 6424 and 6464. Target identification is in progress.
- Acquisition in May 2010 of 100% interest in EL 6424 in the Koonenberry Belt and in August 2010 of 100% interest in both ELs 6400 and EL 6464.
- Data review located untested targets at Black Mountain silver field (EL 6400), Bunker Hill-Wertago (EL 6424) and NW-SE of Peveril-Grasmere Cu-Zn-Ag-Au deposits (EL 6400)
- Planning of a drilling program at Koonenberry in 2010.

REVIEW OF OPERATIONS (continued)



Figure 1: Tenements Location Map of Premium Exploration Inc. in USA

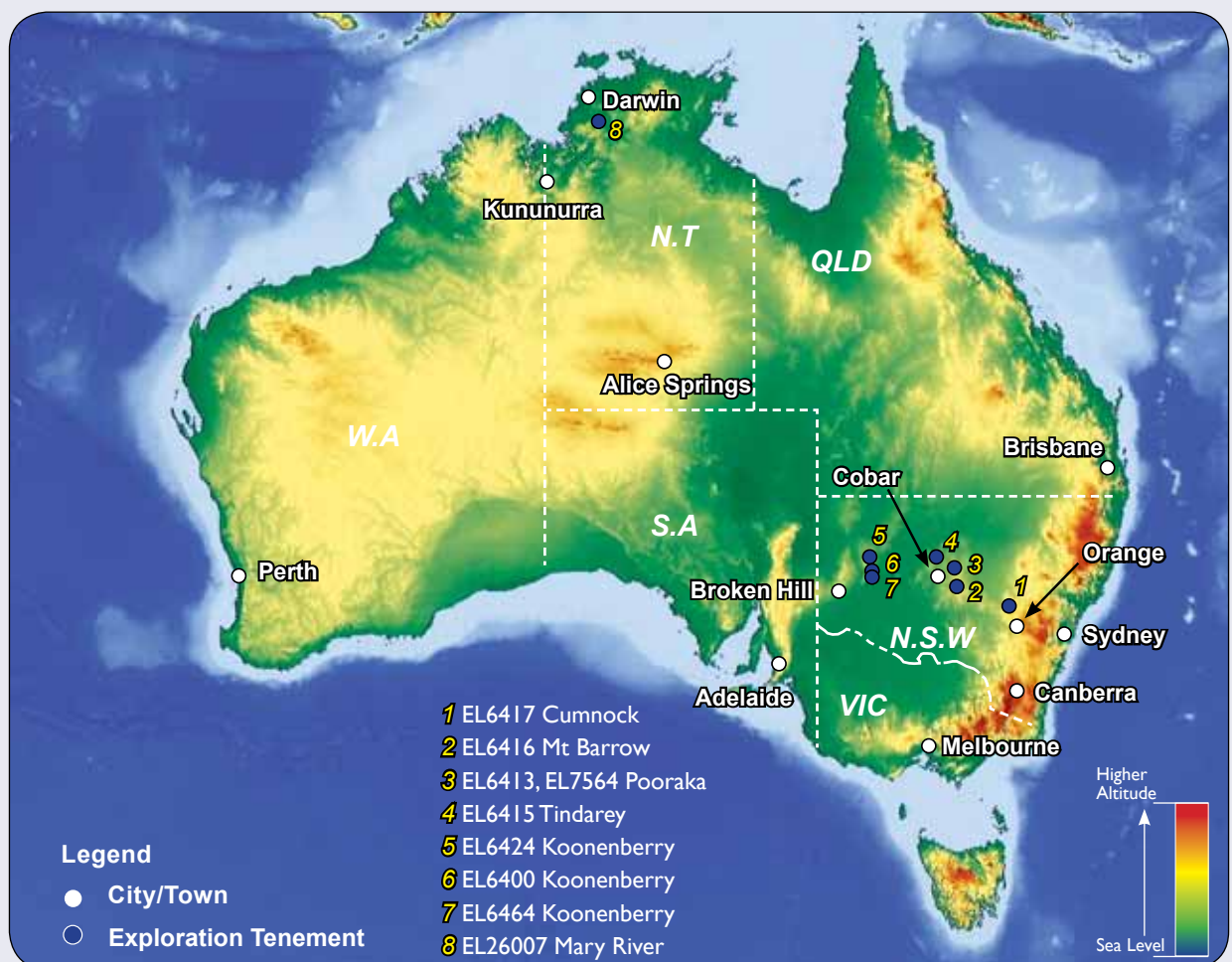


Figure 2: Tenements Location Map in Australia

REVIEW OF OPERATIONS (continued)

CAPITAL RAISING

Capital Raising

On 26 October 2009, the Company agreed to place 6 million fully paid ordinary shares at 20 cents per share with 6 million free attached Options for total proceeds of \$1.2 million from investors who did not require a disclosure document. The Options are exercisable for one fully paid ordinary share at \$0.80 per Option on or before 30 June 2014. The funds raised were applied to funding the investment in Premium Exploration Inc., cost of the placement and working capital. The placement was approved by shareholders at the Annual General Meeting held on 30 November 2009.

On 26 February 2010, the Company agreed to place 5.4 million fully paid ordinary shares at 25 cents per share and 2.7 million Options A for no additional consideration for total proceeds of \$1.35 million from investors who did not require a disclosure document. The Options are exercisable for one fully paid ordinary share at \$0.50 per Option on or before 30 June 2011. The funds raised were applied to payment of accounts payable and working capital. The placement was done under a pre-approval of shareholders at the Annual General Meeting held on 30 November 2009.

INVESTMENT IN ADVANCED GOLD EXPLORATION PROJECT - IDAHO, USA

5,750,000 Shares and 5,750,000 Warrants of Premium Exploration Inc.

Investment in Exploration in USA

Following several months of appraisal of various opportunities, the Company made a very significant first step forward in October 2009, since listing on Australian Securities Exchange in March 2009, in its stated strategy for growth by investing in new ventures in the mining industry.

The Company invested approximately \$1.2 million for a strategic stake of 5,750,000 shares in Premium Exploration Inc. ("Premium") representing approximately 10% of the then issued capital of Premium, a company listed on the TSX Venture Exchange of Canada (TSX-V: PEM). That percentage holding has since been diluted to approximately 5% following subsequent issuance of shares by Premium to fund its exploration programmes. The Company assessed Premium to have some very exciting advanced projects and management with many years of experience in the project areas. Executive Technical Director Dr Guojian Xu was appointed a director of Premium at the end of January 2010.

Each share of Premium acquired has an attached share purchase warrant entitling the Company to acquire an additional share at C\$0.30 for an 18 months period. The warrants are subject to an acceleration clause which comes into effect once the shares trade above a weighted average price of 200% or more from the exercise price, for any fifteen consecutive trading-day period subsequent to four months from the acquisition date. In this event, Premium may accelerate the expiry of the warrants upon providing 60 days notice to the warrant holder.

Premium is an explorer and developer of precious metals projects with significant potential for near-term production and growth. The projects are located in the USA and Mexico (see

Figure 1); stable regions where Premium has a history of success. Premium's portfolio includes one of the largest land packages in Idaho, USA, including an NI 43-101 gold inferred resource of 531,890 oz, a platinum group metals exploration project in Montana, and a past-producing silver project in Mexico.

The acquisition of the interest in Premium was primarily funded by the fresh capital raised under the October 2009 private placement of shares by the Company

The main project of Premium likely to have a significant near term impact on the value of the investment is the Petsite-Friday Gold Project. Premium had completed a Phase I drilling program in July 2009 at the Petsite-Friday Gold Project in Idaho and the investment by the Company in Premium contributed to funding the Phase II drilling program that started in September 2009 and was completed in December 2009.

Information extracted from the public announcement of PEM on 27 August 2010 on their most significant asset, the Petsite-Friday Gold Project, is as follows:

"Phase I Drill Program

This program consisted of seven HQ core holes which were drilled to a depth of 153 meters (502 ft) and total footage drilled equalled 853.4 meters (2,800 ft.). This first phase of drilling was designed to further delineate the high-grade component of the resource, test the continuity of mineralization on the Orogrande Shear Zone ("OSZ") along strike to the north and south of the existing resource, and to provide minor in-fill drilling. Results from this program will be used to reassess the NI 43-101 compliant Inferred Resource of 531,890 troy ounces Au, contained in 15.17 million tonnes averaging 1.1 g/t gold (0.032 oz/ton) at a cut-off of 0.514 gram per metric tonne (0.017 oz/ton).

The geologic model developed by Premium's geologists, confirmed a steep easterly dip and intersected the OSZ to the north and south of the main zone of mineralization. Drill holes PFR2009-6 and PFR2009-7 (located south of Quartz Creek) intersected intensely sheared and altered Muscovite-Sericite Schist with associated sulphides which are indicative of OSZ mineralization as found in the main zone of mineralization. These two holes also extend the strike length of the OSZ by 100 meters to the south and are located on the north end of a 1,200 meter (4,000 foot) gold in soil geochemical anomaly. This confirms the likelihood that the anomaly is related to the continuation of the OSZ to the south.

PFR2009-3, the northern-most drill hole in the program, intersected shear zone material and has increased the strike length of the OSZ by 75 meters to the north. Based on drilling by previous operators and core logging of the new core, gold mineralization is found to occur in two distinct forms; primary fine grained gold mineralization associated with Pyrite, Arsenopyrite, and likely Lollingite (iron arsenide), and a second coarser gold phase which is likely associated with a post-mineral Dacite Dike remobilizing the primary gold. Additional research will be conducted to determine if there is any significance to the Lollingite-gold association which may be useful in future drilling programs. The host rock in the shear zone is predominately Muscovite-Sericite Schist with sericite altered Quartz Monzonite to a lesser extent. Pyrite, Arsenopyrite and Lollingite are disseminated and also occur within quartz/carbonate veinlets.

REVIEW OF OPERATIONS (continued)

Friday-Petsite 2009 Phase I Results

Hole ID	From (m)	To (m)	Length (m)	Au (g/t)
PFR2009-01	0	37.7	37.7	0.56
including	23.16	30.33	7.16	1.2
Dike	37.7	54.86	17.16	n/a
	55.84	73.76	17.92	5.02
including	63.58	69.31	5.73	13.58
including	63.58	65.17	1.58	35.55
PFR2009-02	1.52	41.09	39.56	1.77
including	32.92	41.09	8.17	3.37
Dike	41.09	60.05	18.96	n/a
	114.6	116.28	1.68	1.35
PFR2009-03	0.91	9.85	8.95	1
including	0.91	5.18	4.27	1.49
PFR2009-04	15.24	28.13	12.89	0.88
PFR2009-05	0	76.05	76.05	1.2
including	39.93	76.05	36.12	1.84
including	65.53	76.05	10.52	3.76
including	68.28	74.07	5.79	5.95
including	71.17	74.07	2.9	8.81
Dike	76.05	94.79	18.75	n/a
	94.79	137.46	42.67	1.13
including	94.79	106.07	11.28	3.51
including	98.76	103.33	4.57	7.73
PFR2009-06	1.83	47.12	45.29	0.64
including	12.5	28.04	15.54	1.06
PFR2009-07	0	97.23	97.23	0.61
including	36.12	67.97	31.85	1.16

Note: True Widths are estimated to be between 75% and 100% of the drilled interval

Phase II Drill Program

The Phase II Drill Program totaled 1,969.9 meters (6,463 ft) and consisted of six HQ core holes. This second phase of drilling commenced in September 2009 and was completed in December 2009. The program was designed to delineate the northern and southern extension of mineralization for an additional strike length of 560 meters; 185 meters north and 375 meters south of the existing resource as well as down dip to a depth of 275 meters (900 ft).

This phase of the program included three of the deepest holes drilled on the property and intercepted the mineralized zone 300 meters down-dip from the bottom of historic drill hole PC010. The current inferred resource of 531,890 ounces of gold is hosted in 350 meters (1,148 ft) of strike length and down to a depth of 150 meters (492 ft) from surface. PC010 returned grades of 3.81 g/t Au over 85.4 meters, (including 10.8 g/t over 22.90 meters, and 17.66 g/t over 10.7 meters). PFR2009-11, the first hole completed in this segment

of the program intercepted the down-dip extension of mineralization encountered in PC010, and was mineralized to a depth of 490 meters (1,608 ft) which is triple the depth of historic PC010.

The drill holes in this phase encountered the same geology, structures and mineralization as seen in the Phase I program and all of the holes intercepted mineralization at depth and along strike. Gold mineralization remains open to the north, south and at depth. All holes intercepted targeted mineralization with several holes terminating in mineralization at depth. The results of the Phase II program have led Premium's team to a better understanding of the geologic and structural controls of mineralization and will be used in the upcoming revision of the Inferred NI 43-101 resource. The mineralization encountered in the drill holes consists of a broad zone of lower grade gold mineralization associated with the shear zone, surrounding a higher grade gold core which has been intruded by a post mineral Dacite Dike.

Results from PFR2009-08 and PFR2009-09 are significant as they confirm gold mineralization 425 meters south of the current inferred resource indicated by the strong, contiguous, 1,150 meter gold in soil geochemical anomaly. This has doubled the strike length of the project and could significantly impact the size of the resource along strike with the upcoming work programs

Friday-Petsite 2009 Phase II Results

Hole ID	From (m)	To (m)	Length (m)	Au (g/t)
PFR2009-08	23.2	147.2	124.1	0.55
including	59.7	93.3	33.5	0.68
including	107	121.6	14.6	0.84
PFR2009-09	7	13.4	6.4	0.88
including	45.4	50	4.6	2.39
including	98.8	110.3	11.6	0.99
PFR2009-10	173.4	371.8	198.4	2.7
including	232.2	353.3	121.1	3.8
including	238.7	264.0	25.3	9.2
including	239.3	241.1	1.8	30.6
including	352.9	353.3	0.4	285.9
PFR2009-11	266.1	339.6	73.5	2.9
including	277.4	294.6	17.2	10.6
including	290.5	291.4	0.9	160.6
PFR2009-12	281.6	365.0	83.4	1.0
including	362.8	365.0	2.2	3.5
PFR2009-13	126.5	153	26.5	1.25
including	126.5	132	5.5	4.39
including	130.2	132	1.8	11.99

- The gold grade calculation is a weighted mean with no top cut, and no bottom cut. The grade calculation includes internal waste and low grade sections.
- True widths are estimated to be between 65% and 75% of the drilled interval.

REVIEW OF OPERATIONS (continued)

Phase III Drill Program

During the second quarter of 2010, Premium announced the commencement of their Phase III Drill Program. This phase of the program was designed to delineate the target mineralization, adjacent to the existing 550,000 oz gold resource, with the aim of increasing the size of the resource and upgrading the resource categories. An estimated 33 holes, ranging in depth from 150 meters to 610 meters, will be drilled; for a total of 10,000 meters of drilling. Two-thirds of the footage from this program will be used for resource definition and in-fill drilling within the immediate “target” zone, and one-third will be used to step-out along strike to the north, south and down-dip. This program will also provide data for the scoping (preliminary assessment) study announced in March 2010.

The assay results for the first three holes were released in July 2010 and the first two holes (PFR2010-1 and PFR2010-2) intersected the same mineralized zone encountered in hole PFR2009-10; which returned 2.66 g/t gold over 198.4 meters including 9.16 g/t gold over 25.3 meters. The third hole, PFR2010-3 was drilled in the same direction and dip as PFR2009-10. PFR2010-3 was the first step-out hole, designed to test the continuity of mineralization along strike in a newly discovered mineralized zone located directly beneath, and not included in, the existing bulk-tonnage NI 43-101, 531,890 oz inferred resource. The new zone, referred to as the “Lower Block” has added 300 meters of strike length to the mineralized zone.

In August 2010, the next three holes of the Phase III program were released. Holes PFR2010-4, PFR2010-5 and PFR2010-6, have advanced the development of the Lower Block by further defining the structural interpretation of this zone. Hole PFR2010-4 has confirmed the location of the thrust fault, the high-grade mineralization and has established that the Lower Block is a minimum of 100 meters wide at depth.

As of the date of this report, Premium has two drills turning on the property. The first drill will continue the exploration program to the north and south, while the second drill will be used for definition drilling in the Lower Block. With well defined structural interpretation, mineralization open at depth, Premium is confident that the development of this project will advance quickly by bringing the drill-hole data into the inferred resource category as the program continues to test the extent of the deposit’s strike length.”



Figure 3: Friday-Petsite Core

Friday-Petsite 2010 Phase III Results				
Hole ID	From (m)	To (m)	Length (m)	Au (g/t)
PFR2010-1	0.0	203.0	203.0	0.98
including	182.0	203.0	21.0	2.61
PFR2010-2	14.6	289.6	275.0	1.84
including	213.4	289.6	76.2	5.74
including	213.4	228.3	14.9	22.18
PFR2010-3	221.0	378.9	157.9	2.23
including	221.0	295.4	74.4	3.65
PFR2010-4	149.3	299.3	150.0	1.5
including	254.8	291.7	36.9	2.5
including	210.0	214.9	4.9	8.3
PFR2010-5	98.1	365.1	267.0	0.9
including	292.9	365.1	72.2	1.5
including	292.9	303.9	11.0	3.4
PFR2010-6	118.0	344.0	226.0	0.5
	118.0	134.4	16.4	2.5

- The gold grade calculation is a weighted mean with no top cut, and no bottom cut. The grade calculation includes internal waste and low grade sections.
- True Widths are estimated to be between 50% and 75% of the drilled interval

In July 2010, Premium completed capital raisings totaling C\$10,000,000 ensuring its ongoing exploration programmes are well funded.



Figure 4: Drilling at Friday-Petsite

REVIEW OF OPERATIONS (continued)

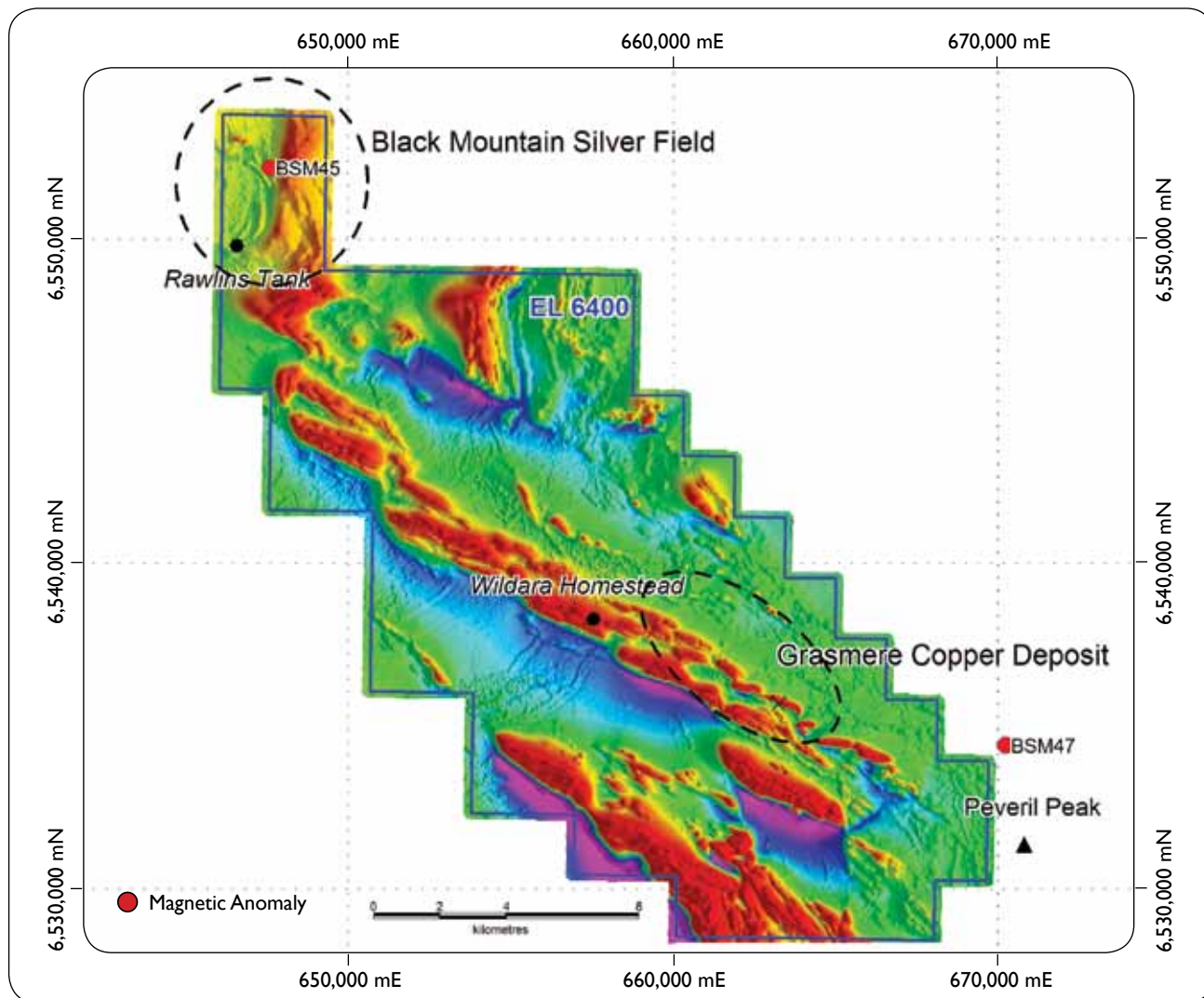


Figure 5: Koonenberry – EL 6400 Regional Aeromagnetic Map

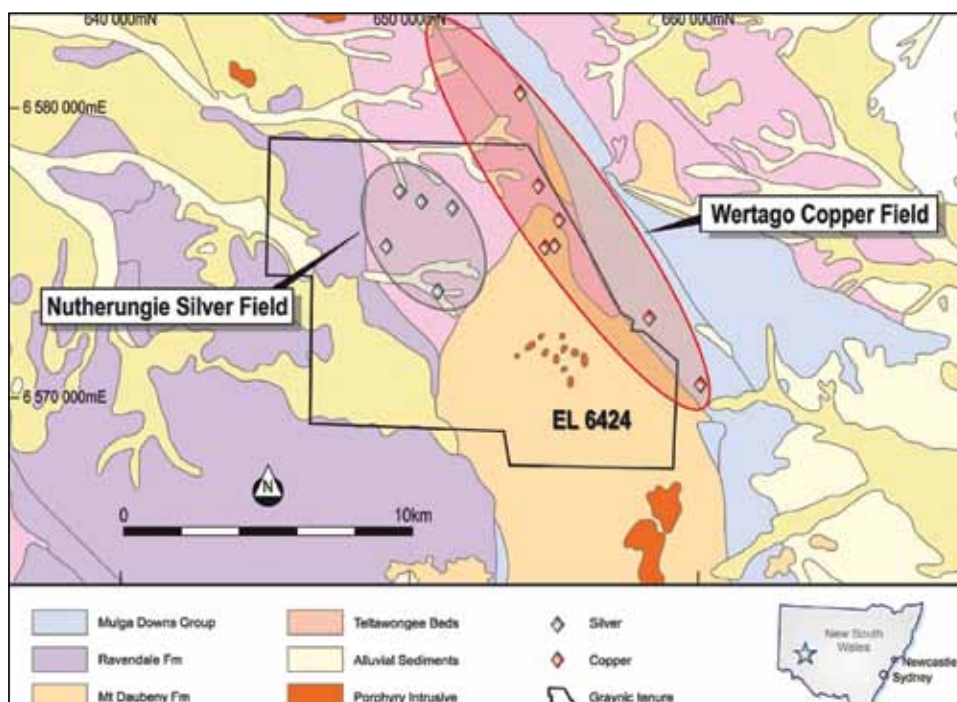


Figure 6: Koonenberry – EL 6424 Regional Geology Map

REVIEW OF OPERATIONS *(continued)*

KOONENBERRY - NSW

EL 6424 - (100% ownership)

EL 6400 and EL 6464 - NSW

(Earning 51% during the year and 100% ownership from August 2010)

Operator: Ausmon Resources Limited

On 18 December 2009, the Company acquired 100% of the issued capital of Great Western Minerals Limited (GWM). The assets of GWM consisted of Joint Ventures (JVs) in respect of Exploration Licences (ELs) 6400, 6424 and 6464 covering approximately 753 sq kms in the heart of the highly prospective and under-explored Koonenberry Belt, North East of Broken Hill.

Under the farm-in for ELs 6400 and 6464, GWM had the right to earn a minimum 51% interest in both through expenditure of \$1 million over the period to October 2011, with provision to earn up to a 75% interest, under certain conditions, after that. With respect to EL 6424, a second farm-in allows GWM to earn a 51% interest by expending \$500,000 over the period to September 2011, with an option for a second \$500,000 expenditure over the next 2 years to earn an additional 24%, to a total of 75%.

ELs 6400 and 6464 contain the extensive Grasmere and Peveril Cu-Zn-Ag-Au deposits, which contain an indicated and inferred JORC compliant resource of 5.75 million tonnes @ 1.03% Cu, 0.35% Zn, 2.3 g/t Ag and 0.05 g/t Au (Inferred: 2.73 Mt (million tonnes) grading 0.9% copper, 0.4% zinc, 0.04 g/t (gram/tonne) gold and 2.05 g/t silver. Indicated: 3.02 Mt grading 1.15% copper, 0.3% zinc, 0.06 g/t gold, and 2.53 g/t silver).

The resource is open in both directions and down dip, and has strong affinities with Besshi type VMS deposits. Besshi type deposits occur in Canada, Japan and elsewhere. They are known to be concordant, continuing for large distances along strike and down dip, often in stacked lenses. Tonnages are large, ranging from 15 to 300 million tonnes, with geochemical and mineralogical signatures very similar to those seen at Peveril and Grasmere.

EL 6424 contains the historic Wertago Copper Field and the Nutherungie Silver Field, both of which are considered highly prospective and underexplored.

Ausmon has reviewed all historical and recent data on the 3 ELs, discovering interesting and potentially exciting targets including the (untested) Black Mountain silver field near the top of EL 6400, and the Bunker Hill epithermal Cu-(Au) prospect on EL 6424. The Company believes that historic and recent exploration targets were not properly followed-up at different times due to isolation, climate, lack of water, and access to funding.

Aeromagnetic-Radiometric Survey

An aeromagnetic/ radiometric survey originally planned to start in February 2010 was delayed due to heavy rains. The survey commenced on 8 March 2010 and was completed on 15 April 2010 by Thomson Aviation with 21,000 line km flown. The lines ran east-west, at a close spacing of 40 m, and a flying height of 40 m. The processed data were received in mid-May 2010 and submitted for detailed analysis which began in early June 2010 and is continuing.

Aeromagnetic results on ELs 6400 and 6464 have revealed distinctive magnetic trends believed to be due to continuations of the Grasmere-Peveril deposits and environs, both to the North West and South East, as well as other subtle magnetic features of interest. It is planned to test these features by a program of RC percussion and diamond drilling as soon as approvals and contractors are secured. At the same time the Wertago-Bunker Hill and Nutherungie fields will be mapped in detail, and outcrop/ bedrock sampled, as an adjunct to selecting drill targets.

Acquisition of 100% interest in EL 6424

In May 2010, GWM acquired a 100% interest in EL 6424 from the joint venture partner and terminating the farm-in arrangements. The consideration for the acquisition consisted of a cash payment, the allotment of 200,000 fully paid ordinary shares in the Company and grant of 200,000 unlisted options, each option to acquire fully paid ordinary shares in the Company at \$0.50 per share on or before 30 June 2011.

The vendors retain a 1% net smelter royalty of production from EL 6424 with the Company having a 2 year option to buy-out that royalty interest.

Acquisition of 100% interest in ELs 6400 and 6464

In August 2010, GWM acquired a 100% interest in EL 6400 and 6464 from the joint venture partner and terminating the farm-in arrangements. The consideration for the acquisition consisted of a cash payment and the allotment of 1,000,000 fully paid ordinary shares in the Company.

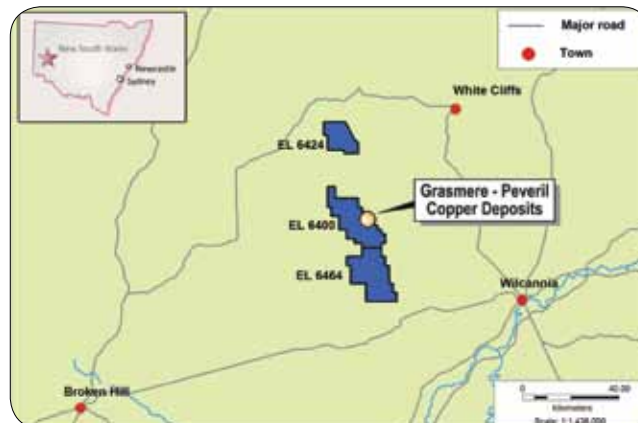


Figure 7: Koonenberry Belt – Licences Location Map



Figure 8: Koonenberry Landscape

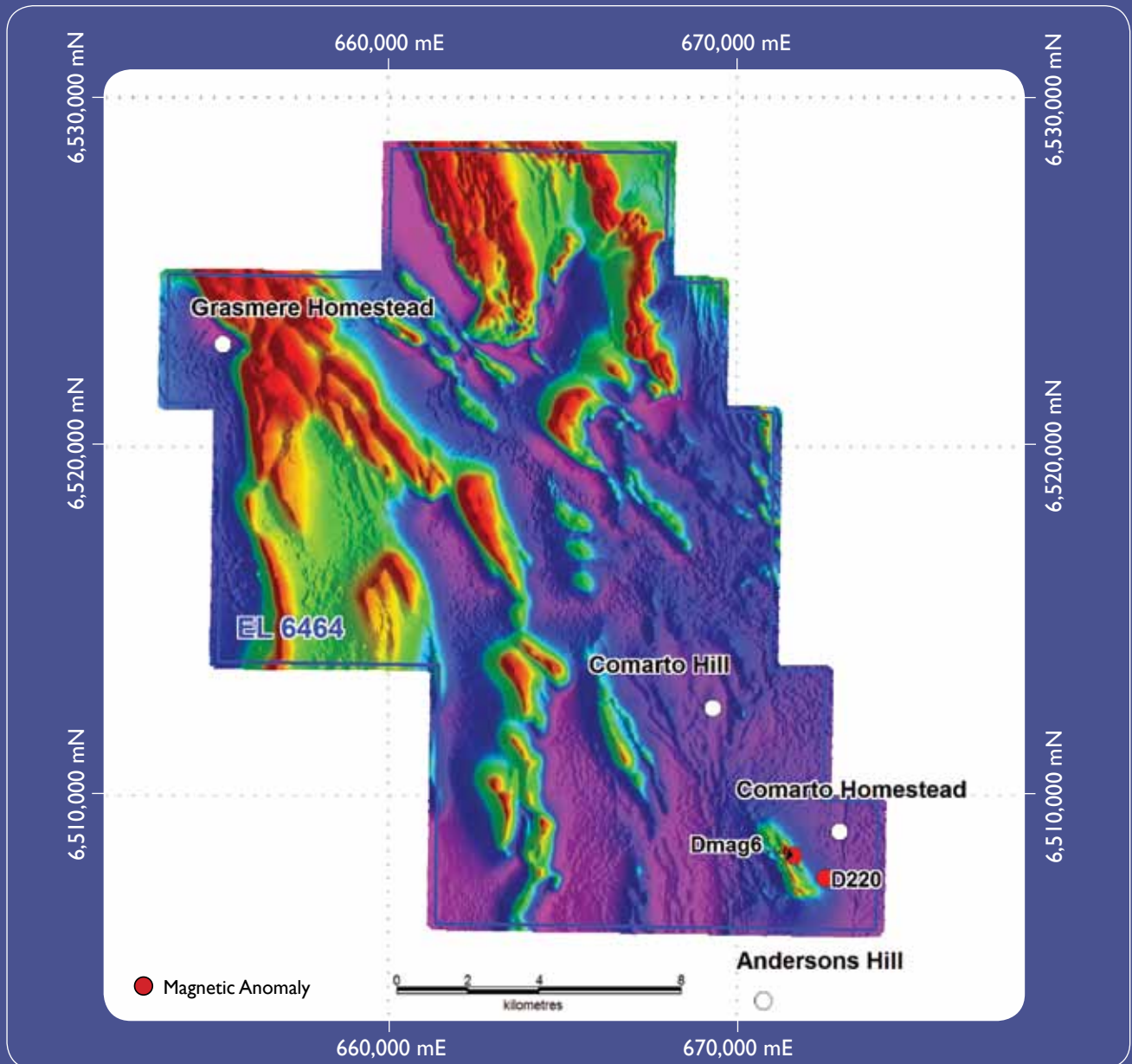


Figure 9: Koonenberry – EL 6464 Regional Aeromagnetic Map



Figure 10: Koonenberry Terrain and Outcrop



Figure 11: Drilling at Cobar

REVIEW OF OPERATIONS (continued)

COBAR - ORANGE - NSW

EL 6413, EL 6415, EL 6416 and EL 6417 (earning 85% interest, working interest 100%)

EL 7564 - (85% ownership)

Operator: Robust Resources Limited

Pooraka EL 6413, Tindarey EL 6415, Mt Barrow EL 6416 and Cumnock EL 6417

Following timely submission of the Annual Reports and renewal applications to the NSW Department of Primary Industries ("DPI") all four ELs have been renewed, with a compulsory 50% area reduction, until 16 May 2011.

In July 2009, the Joint Venture approved the drilling of 10 RC percussion holes into bedrock gold/base metal anomalies on Tindarey EL 6415 (6 holes), Pooraka EL 6413 (2 holes), and Mt Barrow EL 6416 (2 holes). The drilling locations were selected on the basis of exploration work in the prior year. All 10 holes were designed to plunge at 50 degrees and be 100 m deep.

From 4 to 9 August 2009 the operator marked out the drill sites, and collected data and photos required for Surface Disturbance Notices ("SDNs"). SDNs are required by the DPI before permission to drill can be given. SDNs were submitted on 12 August 2009, and the permission for drilling was granted on 15 October 2009. The drilling was undertaken by Chief Drilling, of Orange utilising a smaller, less expensive, truck mounted RC percussion rig rated to about 120 m. The program commenced on 24 October 2009 under the management of Dr Pieter Moeskops and was completed on 5 November 2009.

The sampling interval was 1 m, yielding 1,000 of approximately 1 kg samples for chemical analysis. The coarse fractions were dry and wet sieved from duplicate samples and resultant percussion chips were logged geologically and retained in chip boxes. Samples for analysis were delivered to ALS Laboratories, in Orange and analysed for Au (method Au-AA21), Ag, Cu, Pb, Zn, As, Sb and S (method ICP41). Detection thresholds, in parts per million, were 0.002 for Au, 0.2 for Ag, 1 for Cu, and 2 for other elements, excluding S (0.01%).

Summary of Results

Host rocks on all 3 ELs were noted to be strongly weathered and relatively soft, with fine powdery material making up 80% to 90% of most RC percussion returns. Iron oxides, most likely after weathered sulphides, expressed as sooty black powders, particularly in holes MBI and MB2 in the Glengarry Gossan Field. Hard materials, such as vein quartz and sandstone, tended to concentrate preferentially in coarser fractions, meaning that proportions noted in percussion logs were not fully reflective of uncrushed host rocks. For example, the highest Au value-1,650 ppb (at Tindarey) was noted in chips logged as "shale".

Background Au values on all 3 ELs were noted to be around 5 ppb with anomalous gold intersections ranging from 40 to 1,650 ppb. Principal findings and conclusions are précised below.

Tindarey EL 6415

Results (holes T1 to T6) exhibited the highest proportion of Au anomalous material - about 8% of the total. Gold anomalous intervals were mostly 1 m, and sometimes 2 or 3 m in length. Anomalous gold was mainly accompanied by anomalous silver ranging from 0.2 to 1.7 ppm. Coincident high base metal (Cu, Pb, Zn) and arsenic values were not common, but noted in holes T1 (68-69 m) and T6 (41-42 m). The hydrothermal mineralising event that formed the Merrere Goldfield was clearly quite extensive, and related to low angle cross shearing. This led to the introduction of swarms of broad to narrow quartz veins associated with minor sulphides and chlorite (now sheared). In historical records high to bonanza gold grades were noted in narrow veins and pods, but the drilling programme did not detect a hoped for minable low grade envelope (of say 2 to 4 ppm Au) around the diggings. Findings strongly downgrade the potential of Tindarey EL 6415, including the nearby (undrilled) Golconda Goldfield, which closely resembles the Merrere Goldfield.

Mt Barrow EL 6416

Drilling of two bedrock gold anomalies in the Glengarry Gossan Field (holes MBI and MB2) confirmed that high bedrock Au values did not improve substantially with depth, but reaffirmed the fertile nature of a large mineralising system, which still requires further investigation by geophysics and prospecting before it can be discounted. The gossan field is extensive, proximal to a volcanic centre, and weekend prospectors have allegedly found small gold nuggets in ironstone float about 1 km from the two drill holes.

Pooraka EL 6413

Drilling of the first bedrock gold anomaly (hole P1, west of Langbein) indicated that it did not persist at depth. The second drill hole (P2, near Langbein) detected three 13 m to 15 m long zones containing significant lead and gold values (up to 1,615 ppm Pb, and 166 ppb Au) which are worthy of further investigation. This EL remains the most prospective, as it lies directly on strike from the nearby Mt Boppy Gold Mine, and close to the Gilmore Suture. The EL also contains 5 or 6 untested gold-silver-base metal anomalies, including one co-incident with a magnetic anomaly.

New EL 7564, at Pooraka

In October 2009, the Ausmon-Robust JV Partners made application for 30 graticular units covering the open area between the northern and southern segments of Pooraka EL 6413. ELA 3818 was issued by the DPI on 9 November 2009 and in June 2010 EL 7564 was granted under the ELA 3818.

Pooraka EL 6413 and EL 7564 remain very prospective for Au, and Pb-Zn-Ag deposits, with untested targets close to, and on strike from, Mt Boppy. The main target is the Mt Boppy/ Hardwicks/ Langbein /McGuinness zone. Proposed future exploration will consist of filtering of magnetic data plus bedrock sampling of selected targets.

REVIEW OF OPERATIONS *(continued)*

Cumnock EL 6417

An extensive (182 samples) programme of infill soil sampling was undertaken early in the year on the southern (Gumble) segment. This work together with follow up filed work in December 2009 enhanced 4 significant copper and/or gold anomalies (designated A, E, K and G) and delineated two quite good drill targets. These are situated about 1 km from Delaneys Dyke. The Gumble segment is very prospective for skarn and related deposits.

On the northern (Mt Catombal) segment of the EL, a programme of follow up soil sampling highlighted 2 strong Cu-Au anomalies designated "Turmer's Anomaly" and "Lawrence's Anomaly". The host Cuga Burga Volcanics are very prospective for Cadia type epithermal copper-gold deposits associated with hydrothermal (epidote-silica-calcite-chlorite) alteration.

The above, and other recent work, has considerably increased the prospectivity of Cumnock EL 6417, and has produced very good targets for RC percussion drilling to be undertaken in late 2010 or early 2011.

MARY RIVER - NEAR PINE CREEK, NT EL 26007 - (100% ownership)

Operator: Ausmon Resources Limited

This EL of 7 graticular sub blocks (22.5 sq kms) was granted on 28 November 2007 for a period of six years.

The tenement is located centrally in the Pine Creek Orogen, on the eastern flanks of the Cullen Batholith. This is a multiphase batholith, with components dated between 1,840 and 1,780 million years. The batholith's post-orogenic components are associated with vein and stockwork mineralisation covering Sn, W, Au, Ag, Pb, Zn, Cd, Cu, Bi, U, and Mo. For example about 6 km west of the EL is the Cleos U prospect, and to the south and southeast are the Evelyn Pb-Ag-Zn and Moline Au prospects. Mapping and sampling by the Company detected 5 main rock types as mapped by the DPI. Granitic rocks predominate and include Pgca 1 and 2 (Minglo Granite, and Blundells Monzanite). An elongate north trending patch of Pgcz (Blundells Dolerite) is evident near the central-western edge of the EL, and areas of Pfb (hornfels) and Pso (folded tuffs and cherts) occur in the northern part, near the Mary River flood zone.

Intensive field work was undertaken from 20 to 26 September 2009. Timing was tightly constrained by weather (impending wet season).

Work consisted of geological mapping, prospecting, and rock chip sampling. Mapping defined 5 rock types. There are two types of granites with enclosed rafts of hornfels (sediments, cooked and changed by the enveloping granite), folded/ metamorphosed shales, and river sands/ gravels. The last ones are known to contain alluvial gold, as found by prospectors using metal detectors. Significant occurrences of uranium, gold-silver, and copper-lead-zinc are known to occur within 10 km of the EL.

62 grab samples were collected and submitted to the laboratory for Au, Ag, Cu, Pb, Zn, Sn, W and U analysis. All were noted to be un-anomalous in all elements. Six samples collected in 2008 were also noted to be un-anomalous in Au.

At renewal of the EL in October 2009, the Company has applied to retain 4 graticular sub blocks (about 12.5 sq kms) making up the northern part of the EL which has potential for vein and stockwork mineralisation along granite/country rock contact zones, and alluvial gold in river and stream sediments. During the current EL year to November 2010 it is proposed to undertake additional mapping, prospecting and sampling in those area. The relinquished southern part of the EL consists almost entirely of monotonous, un-mineralised granitic rocks.



Figure 12: Drilling Operator at Cobar



Figure 13: Ironstone Gossan, EL 6400 Grasmere

(The information in this report that relates to Exploration Results is based on information compiled by Dr Pieter Moeskops, the principal of Agaiva Holdings Pty Ltd and a member of The Australasian Institute of Mining and Metallurgy.

Dr Moeskops has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activities which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

Dr Moeskops consents to the inclusion in this report of matters based on his information in the form and context in which it appears.)

GLOSSARY AND LICENCE SCHEDULE

GLOSSARY

- “Ag” means silver
- “As” means arsenic
- “Au” means gold
- “Bi” means bismuth
- “Cd” means cadmium
- “Cu” means copper
- “kg” means kilogram
- “km” means kilometres
- “m” means metre
- “Mo” means molybdenum
- “oz” means ounces
- “Pb” means lead
- “ppb” means parts per billion
- “ppm” means parts per million
- “RC” means reverse circulation
- “S” means Sulphur
- “Sb” means antimony
- “Sn” means tin
- “sq km” means square kilometre
- “U” means uranium
- “W” means tungsten
- “Zn” means zinc

LICENCE SCHEDULE

as at the date of this report

Licence	Location	Project Name	Interest
EL 6413	New South Wales	Pooraka	85% (earning)
EL 7564	New South Wales	Pooraka	85%
EL 6415	New South Wales	Tindarey	85% (earning)
EL 6416	New South Wales	Mt Burrow	85% (earning)
EL 6417	New South Wales	Cumnock	85% (earning)
EL 6400	New South Wales	Koonenberry	100%
EL 6424	New South Wales	Koonenberry	100%
EL 6464	New South Wales	Koonenberry	100%
EL 26007	Northern Territory	Mary River	100%

DIRECTORS' REPORT

The Directors present their report on Ausmon Resources Limited ("Company") and its controlled entity ("Group") for the financial year ended 30 June 2010.

DIRECTORS

The names of Directors in office at any time during or since the end of the year are:

King Ming Fan

Non-Executive Chairman

Mr Fan has over 30 years experience in diversified businesses in Hong Kong, China and Australia. He has a wide network of business and official relationships in China and has been assisting Australian companies to invest in China. More recently, he has been facilitating investment in Australia by both government and privately owned Chinese entities in a wide range of business sectors.

Special responsibilities: *Member of the Remuneration Committee.*
Current directorship of other listed public companies: *None.*
Former directorship of listed public companies in the last three years: *None.*

David William King

Non-Executive Deputy Chairman

Dr King graduated with a First Class Honours degree in Physics/Mathematics from the University of East Anglia in 1968, a Masters degree in geophysics from Imperial College, University of London in 1969, and a PhD in Seismology from the Australian National University in 1974. After an early academic research career, he held executive positions at Offshore Oil NL and Hartogen Energy Limited before an appointment as Managing Director of gold producer North Flinders Mines Ltd. In 1991, he joined Beach Petroleum/Claremont Petroleum as Chief Executive Officer and Director, a position he held until 1995.

Special responsibilities: *Chairman of the Audit Committee and the Remuneration Committee.*

Current directorship of other listed public companies: *Eastern Star Gas Limited, Cellmid Limited (Chairman since January 2008) and Robust Resources Limited (Chairman since February 2010).*

Former directorship of listed public companies in the last three years: *Gas2Grid Limited (December 2004 to August 2008) and Sapex Limited (March 2006 to October 2008).*

John Qiang Wang

Executive Director

Mr Wang holds a Bachelor of Computer Science from Shanghai University and a Master of Business Administration from the University of Technology, Sydney. He is a Justice of the Peace with more than 15 years experience in the accounting profession in Australia. He is a Fellow Member of the Taxation Institute of Australia, a member of National Institute of Accountants and an affiliate member of the Financial Planner Association of Australia. He is also the Chief Financial Officer and Company Secretary of the Company.

Special responsibilities: *Member of the Audit Committee.*
Current directorship of other listed public companies: *None.*
Former directorship of listed public companies in the last three years: *None.*

Gang (Gary) Zheng

Executive Director

Mr Zheng has over 15 years experience in business in China, primarily in Shanghai and Beijing, and also in Australia. He has developed a good network of business and investors relationships in China and Australia. He has been working in conjunction with Mr Fan for a number of years.

Current directorship of other listed public companies: *None.*
Former directorship of listed public companies in the last three years: *None.*

COMPANY SECRETARY

Mr John Qiang Wang (Executive Director) is the Company Secretary of the Company as at the end of the financial year and at the date of this report.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year consisted of acquiring interests in minerals tenements with a focus on gold, silver, copper and other base metals.

OPERATING RESULTS

The loss of the Group after income tax for the year was \$1,238,398 (2009: \$130,873).

FINANCIAL POSITION

The net assets of the Group at 30 June 2010 were \$6,712,711 (2009: \$3,111,011). The Group's working capital at 30 June 2010, being current assets less current liabilities was \$1,522,177 (2009: \$2,847,057) with cash on hand of \$1,937,975 (2009: \$2,848,644) and no borrowings.

DIVIDENDS

No dividends have been paid or declared by the Company since the beginning of the year.

STATE OF AFFAIRS

The following significant changes in the state of affairs of the Company occurred during the financial year:

- (a) Issue of a total of 11,400,000 fully paid ordinary shares for a total cash proceeds of \$1,479,000 and as settlement with creditors;
- (b) Issue of 2,500,000 fully paid ordinary shares as consideration for the acquisition of all the issued capital of Great Western Minerals Limited which was earning 51% interest in 3 exploration licences, ELs 6400, 6424 and 6464.
- (c) Issue of 200,000 fully paid ordinary shares as part consideration for acquisition of 100% interest in EL 6424.
- (d) Issue of a total of 2,900,000 options over unissued shares exercisable at \$0.50 per share on or before 30 June 2011; and
- (e) Issue of a total of 6,000,000 options over unissued shares exercisable at \$0.80 per share on or before 30 June 2014.

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS AND LIKELY DEVELOPMENTS

A Review of Operations for the financial year, together with future prospects, is set out on pages 2 to 11.

During the subsequent financial year the likely developments of the Group will involve continuation of exploration in its tenements to define mineral resources and seeking additional projects in Australia and overseas. Except as described elsewhere in this Annual Report, the likely results of the exploration activities are unknown at the date of this report.

ENVIRONMENTAL ISSUES

The Group's operations are subject to significant environmental and other regulations under the laws of the Commonwealth and State. The Group has a policy of engaging appropriately experienced contractors and consultants to advise on and ensure compliance with environmental regulations in respect of its exploration activities. There have been no reports of breaches of environmental regulations in the financial year and at the date of this report.

AFTER BALANCE DATE EVENTS

In the opinion of the Directors, no items, transactions or events of a material or unusual nature have arisen in the interval between the end of the financial year and the date of this report which have significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years other than that on 19 August 2010, the Group acquired 100% interests in exploration licences 6400 and 6464 in New South Wales for a consideration of \$200,000 cash and 1,000,000 fully paid ordinary shares in the Company consequently terminating the joint venture under which the Group was earning 51% interest in those licences for work expenditure commitments of \$1,000,000.

REMUNERATION REPORT

Details of the nature and amount of remuneration for each key management personnel of Ausmon Resources Limited and for the executives receiving the highest remuneration are set out below.

Remuneration Policy and Practices

The Group's policy for determining the nature and amount of remuneration of Board members and senior executives is as follows:

(i) Non-Executive Directors

The Board's policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities with annual reviews based on market practices.

The maximum aggregate annual remuneration of Non-Executive Directors is subject to approval by the shareholders in general meeting. The Company had determined the maximum aggregate amount at \$500,000 per year.

(ii) Key Management Personnel

The remuneration structure for senior executives, including Executive Directors, is based on a number of factors, including qualifications, particular experience and general past performance of the individual concerned, overall performance of the Group and general human resources market pricing. There is no predetermined equity compensation element within the remuneration structure nor predetermined performance condition to be satisfied. Remuneration including equity compensation is reviewed on an annual basis with advice from external remuneration advisers as may be required. There are no contracts for service between the Company and Executive Directors and other key management personnel currently in place.

Consultancy fees of \$1,000 per day may be payable to Directors in the event that they provide services to the Company other than normal duties of a Director. No consultancy fees on that basis have been paid to Directors during the year.

The Board along with the Remuneration Committee determines payments to Non-Executive and Executive Directors and other key management personnel. In June 2010, the Board, having regards to the development of the Group during the year, resolved to remunerate Directors for the period December 2008 to 30 June 2010 as follows:

- the Chairman and the Executive Directors \$11,578.95 (inclusive of any superannuation contributions) per month each; and
- the Deputy Chairman \$4,052.63 per month (inclusive of any superannuation contributions).

Company performance, shareholder wealth and Director and executive remuneration

The remuneration policy at this early stage of the Group has been tailored for goal congruence between shareholders, directors and executives.

Employee Incentive Plan

The Company has established an Ausmon Resources Limited Employee Incentive Plan under which the Directors may offer options and ordinary shares in the Company to eligible persons. The Directors may also offer interest free loans for terms of up to 5 years under the plan for subscription of shares and under such loans the Company holds a lien over the issued shares. The options are issued free at grant. The shares may not be subscribed for less than the market value of the shares at the time an offer is made under the plan. The maximum total number of options and shares that may be offered or issued under the plan may not exceed 10% of the issued shares of the Company.

The shares issued under the plan rank *pari passu* with other issued ordinary shares and are not listed while there are loans outstanding on the subscription of the shares. Executives participate in the Ausmon Resources Limited Employee Incentive Plan at the invitation of the Board after a review of performance. Directors may participate in the Plan subject to approval of shareholders.

220,000 ordinary shares were granted under the plan during the financial year.

DIRECTORS' REPORT (continued)

Key management personnel remuneration

The key management personnel of the Group are the Directors K M Fan, D W King, J Q Wang and G Zheng.

	Short-term benefits		Post employment		Share-based payment		Total remuneration represented by options
	Cash salary and fees	Non-cash benefits	Super-annuation	Termination benefits	Options	Total	
	\$	\$	\$	\$	\$	\$	%
2010							
K M Fan	220,000	-	-	-	-	220,000	-
D W King	77,000	-	-	-	-	77,000	-
J Q Wang	220,000	-	-	-	-	220,000	-
G Zheng	220,000	-	-	-	-	220,000	-
	737,000	-	-	-	-	737,000	-

The Director fees are accruals for the period from December 2008 to June 2010 and have not been paid as at the date of this report. The Directors agreed, subject to shareholders' approval at a general meeting, for the total remuneration due and payable at 30 June 2010 be made in fully paid ordinary shares in the Company at 22 cents per share (arrived at by reference to the market price of the shares). No remuneration was paid to the key management personnel during the period to 30 June 2009.

Securities Holdings

As at the date of this report, the relevant interests of the Directors in the securities of the Company were as follows:

	Number	
	Fully paid ordinary shares	Options – exercisable at \$0.80 per share on or before 30 June 2014
K M Fan, J Q Wang and G Zheng ¹	24,300,000	12,150,000
K M Fan	1,875,001	937,500
D W King ²	280,001	145,000
J Q Wang ³	1,137,501	668,750
G Zheng ⁴	1,207,501	768,750
	28,800,004	14,670,000

¹ Shares are held by Aumeng Investments Limited of which Directors K M Fan, J Q Wang and G Zheng are directors and in which they have substantial financial interests.

² 260,000 shares and 135,000 options are registered in the name Seistend Pty Ltd <D W King Super Fund>.

³ 200,000 shares and 200,000 options are registered in the name of MBA Accountants Pty Ltd <Australian MBA Super Fund> of which J Q Wang is a beneficiary.

⁴ 50,000 shares and 50,000 options are registered in the name of H&G Camden Pty Ltd in which G Zheng is a director.

SHARE OPTIONS

The number of options over unissued ordinary shares at the date of this report were as follows:

Options exercisable on or before 30 June 2014 at \$0.80 per share:	
Listed	21,475,000
Unlisted	12,275,000
Options exercisable on or before 30 June 2011 at \$0.50 per share:	
Unlisted	2,900,000
	36,650,000

No option holder has any right under the options to participate in any share issue of the Company or of any other body corporate.

DIRECTORS' REPORT (continued)

MEETINGS OF DIRECTORS

The number of meetings of Directors and number of meetings attended by each of the Directors of the Company during the financial year are as follows:

	Directors' Meetings		Audit Committee		Remuneration Committee	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
K M Fan	2	2	-	-	1	1
D W King	2	1	2	1	1	1
J Q Wang	2	2	2	2	-	-
G Zheng	2	2	-	-	-	-

Board business during the year has also been effected by execution of circulated resolutions by Directors.

INDEMNIFYING OFFICERS OR AUDITORS

The Group has not during or since the end of the year indemnified an officer or an auditor of the Group or of any related body corporate, against a liability incurred by such an officer or auditor. The Group has not paid or agreed to pay a premium to insure a current or former officer or the auditor against legal liabilities.

PROCEEDINGS

During the financial year and in the interval between the end of the financial year and the date of this report, the Group has made no application of leave under section 237 of the Corporations Act 2001.

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings in the year.

NON-AUDIT SERVICES

No non-audit services were provided by the auditor during the year ended 30 June 2010.

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with section 307C of the Corporations Act 2001 the auditor's independence declaration for the year ended 30 June 2010 has been received and can be found on page 17 of the Annual Report and forms part of this report.

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



John Q Wang

Director

Dated this 30th day of September 2010



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**Auditor's Independence Declaration
To the Directors of Ausmon Resources Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Ausmon Resources Limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink that reads "Grant Thornton Audit Pty Ltd".

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in blue ink, appearing to be "C F Farley".

C F Farley
Director – Audit & Assurance

Sydney, 30 September 2010

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CORPORATE GOVERNANCE STATEMENT

The table below on Corporate Governance Statement sets out the extent to which the Company has followed the recommendations of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

	PRINCIPLES AND RECOMMENDATIONS	COMPLIANCE	COMMENT
1.	Lay solid foundations for management and oversight		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Complies	The Group's Corporate Governance Statement includes a Board Charter, which discloses the specific responsibilities of the Board. The Board delegates responsibility for the day to day operations and administration of the Group to the Executive Directors. The Corporate Governance Statement is posted on the Group's website.
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Complies	The Group has established a Remuneration Committee consisting of two Non-Executive Directors (K Fan and D King) to evaluate the performance of senior executives on an annual basis.
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	Complies	There are no departures from the Recommendations 1.1, 1.2 and 1.3. The Corporate Governance Statement is posted on the Group's website
2.	Structure the Board to add value		
2.1	A majority of the board should be independent directors.	Does not comply	<p>The Board consists of four directors: two Non-Executive Directors (K Fan and D King); and two Executive Directors (J Wang and G Zheng).</p> <p>K Fan is not an independent director because he has a substantial shareholding interest in the Company via an entity controlled in conjunction with the two Executive Directors.</p> <p>D King is an independent director as he has no relationships with the other directors or a substantial shareholder and does not have a substantial shareholding in the Company.</p> <p>The current stage of establishment and size of the Group does not justify the cost of increasing the number of directors.</p>
2.2	The chair should be an independent director.	Does not comply	The Chairman is a non-executive and not considered to be independent because he has a substantial shareholding interest in the Company via an entity controlled in conjunction with the two Executive Directors.
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Complies	The Chairman is not an executive.
2.4	The board should establish a nomination committee	Does not comply	Given the present size of the Group, the existing Board structure is able to meet the needs of the Group in the examination of selection and appointment practices without the establishment of a nomination committee of the Board.
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Does not comply	<p>The Group has not yet established a formal process for evaluating the performance of the Board and its committees although there is a peer review procedure for evaluating the performance of individual directors.</p> <p>The Board intends to put in place an evaluation process by an independent consultant as the Group develops.</p>

CORPORATE GOVERNANCE STATEMENT (continued)

	PRINCIPLES AND RECOMMENDATIONS	COMPLIANCE	COMMENT
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2	Complies	Explanation of departures from the Recommendations 2.1, 2.2, 2.4 and 2.5 are set out in this section. There are no departures from the Recommendations 2.3 and 2.6. The Corporate Governance Statement is posted on the Group's website.
3.	Promote ethical and responsible decision-making		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> the practices necessary to maintain confidence in the company's integrity the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	Complies	The Group's Corporate Governance Statement includes a Code of Conduct on Ethical Standards, which provides a guide to ethical conduct of Directors and management. The Corporate Governance Statement is posted on the Group's website.
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.	Complies	The Group's Corporate Governance Statement includes a Code of Conduct on Securities Trading. The Corporate Governance Statement is posted on the Group's website.
3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Complies	There are no departures from the Recommendations 3.1, 3.2 and 3.3. The Corporate Governance Statement is posted on the Group's website.
4.	Safeguard integrity in financial reporting		
4.1	The board should establish an Audit Committee.	Complies	The Board has established an Audit Committee, consisting of two Directors, to assist in matters relating to the audit functions and to safeguard the integrity of the Group's financial reporting.
4.2	Structure the Audit Committee so that it: <ul style="list-style-type: none"> consists of only non-executive directors consists of a majority of independent directors is chaired by an independent chair, who is not chairperson of the board has at least three members. 	Does not comply fully	<p>The Audit Committee consists of 2 members as follows:</p> <ul style="list-style-type: none"> D King – Chairman of the Audit Committee, Non-Executive and independent Director; and J Wang – Executive Director. <p>The Executive Director has been selected for his qualification and experience in accounting and finance.</p> <p>A third member will be appointed when an independent Non-Executive Director is added to the Board. Presently the cost of a larger Board size is not justifiable.</p>

CORPORATE GOVERNANCE STATEMENT (continued)

	PRINCIPLES AND RECOMMENDATIONS	COMPLIANCE	COMMENT
4.3	The audit committee should have a formal charter.	Complies	The Audit Committee has a formal charter (policy) that is included within the Corporate Governance Statement. The Corporate Governance Statement is posted on the Group's website.
4.4	Provide the information indicated in Guide to reporting on Principle 4.	Complies	Explanation of departure from the Recommendation 4.2 is set out in this section. There are no departures from the Recommendations 4.1, 4.3 and 4.4. The Corporate Governance Statement is posted on the Group's website.
5.	Make timely and balanced disclosure		
5.1	Companies should establish written policies and procedures 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.	Complies	<p>The Group's Corporate Governance Statement states the policy and procedures to ensure compliance with ASX Listing Rule disclosure requirements.</p> <p>The Board has delegated the function of continuous disclosure as required under the ASX Listing Rule to the Executive Directors and the Company Secretary to assess the type of information that needs to be disclosed and to ensure that Group's announcements are made in a timely manner; are factual, do not omit material information and are in compliance with the ASX Listing Rules. Information which is considered to be price sensitive is approved by the Board before its release.</p>
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Complies	There are no departures from the Recommendations 5.1 and 5.2. The Corporate Governance Statement is posted on the Group's website.
6.	Respect the rights of shareholders		
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.	Complies	<p>The Board's policy is for all investors to have equal and timely access to material information concerning the Group, including its financial position, performance, ownership and governance.</p> <p>The Board has established practices to facilitate communication with the Company's shareholders. The Company Secretary oversees this process through the Group's website and direct mailing of announcements by email. Briefings are held with professional investors. Prior to such briefings, information to be given will be first released to ASX (if not previously released) and later broadcast to shareholders/investors who have registered their email address with the Company.</p> <p>All shareholders are notified in writing of general meetings and encouraged to attend and participate.</p>
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	Complies	There are no departures from the Recommendations 6.1 and 6.2. The Corporate Governance Statement is posted on the Group's website.

CORPORATE GOVERNANCE STATEMENT (continued)

	PRINCIPLES AND RECOMMENDATIONS	COMPLIANCE	COMMENT
7.	Recognise and manage risk		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Complies	<p>The Group's Corporate Governance Statement includes a business risk oversight and management policy.</p> <p>The Board monitors and receives advice as required on areas of operational and financial risk, and considers appropriate risk management strategies.</p> <p>Specific areas of risk that are identified are regularly considered at Board meetings. Included in these areas are performance of activities, human resources, health, safety and the environment, continuous disclosure obligations, asset protection and financial exposures.</p>
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.	Complies	The Board requires the Executive Directors including the Chief Financial Officer to provide such a report at the relevant time.
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.	Complies	The Board requires the Executive Directors including the Chief Financial Officer to provide such a statement at the relevant time.
7.4	Provide the information indicated in Guide to reporting on Principle 7.	Complies	There are no departures from the Recommendations 7.1, 7.2, 7.3 and 7.4. The Corporate Governance Statement is posted on the Group's website.
8.	Remunerate fairly and responsibly		
8.1	The board should establish a remuneration committee	Complies	The Board has established a Remuneration Committee consisting of two Non-Executive Directors, K Fan and D King.
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Complies	<p>The Company's constitution provides that the remuneration of Non-Executive Directors will be not more than the aggregate fixed sum determined by a general meeting.</p> <p>The Remuneration Committee reviews the remuneration packages and policies applicable to all Directors and senior executives on an annual basis and makes recommendations to the Board. Where necessary, the Remuneration Committee will obtain independent advice.</p>
8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Complies	There are no departures from the Recommendations 8.1, 8.2 and 8.3.

STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended 30 June 2010

	Note	Consolidated Group	
		Year ended 30 June 2010 \$	Period from 26 November 2008 to 30 June 2009 \$
Other income			
Interest income		93,681	31,954
Gain on financial assets at fair value through profit or loss		593,265	-
		686,946	31,954
Expenses			
Depreciation expense		(12,090)	-
Employee benefits expense		(66,525)	-
Other expenses	2	(1,846,729)	(162,827)
Loss before income tax expense		(1,238,398)	(130,873)
Income tax expense	3	-	-
Loss for the year		(1,238,398)	(130,873)
Other comprehensive income			
Fair value gain on available-for-sale financial assets, net of tax		1,542,372	-
Other comprehensive income for the year, net of tax		1,542,372	-
Total comprehensive income for the year		303,974	(130,873)
Loss attributable to:			
- members of the Parent Entity		(1,238,398)	(130,873)
Total comprehensive income attributable to:			
- members of the Parent Entity		303,974	(130,873)
Earnings per share			
Basic and diluted loss per share	21	2.36 cents	0.35 cents

These financial statements should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Note	Consolidated Group	
		2010 \$	2009 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	1,937,975	2,848,644
Trade and other receivables	5	69,738	51,229
Other current assets	6	626,909	-
TOTAL CURRENT ASSETS		2,634,622	2,899,873
NON-CURRENT ASSETS			
Financial assets	7	3,509,690	-
Plant and equipment	8	37,372	19,325
Exploration and evaluation expenditure	9	1,643,472	244,629
TOTAL NON-CURRENT ASSETS		5,190,534	263,954
TOTAL ASSETS		7,825,156	3,163,827
CURRENT LIABILITIES			
Trade and other payables	10	1,109,160	52,816
Provisions	11	3,285	-
TOTAL CURRENT LIABILITIES		1,112,445	52,816
TOTAL LIABILITIES		1,112,445	52,816
NET ASSETS		6,712,711	3,111,011
EQUITY			
Issued capital	12	6,492,070	3,241,884
Reserves	13	1,589,912	-
Accumulated losses		(1,369,271)	(130,873)
TOTAL EQUITY		6,712,711	3,111,011

These financial statements should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2010

	Reserves		Accumulated losses	Total	
	Issued capital	Option reserve			Asset revaluation reserve
	\$	\$	\$	\$	
CONSOLIDATED GROUP					
Balance at 26 November 2008	-	-	-	-	
Total comprehensive income for the period	-	-	(130,873)	(130,873)	
Transactions with owners in their capacity as owners:					
Shares issued during the period	3,400,004	-	-	3,400,004	
Transaction costs	(158,120)	-	-	(158,120)	
Balance at 30 June 2009	3,241,884	-	(130,873)	3,111,011	
Total comprehensive income for the year			1,542,372	(1,238,398)	303,974
Transactions with owners in their capacity as owners:					
Shares issued during the year	3,306,500	-	-	-	3,306,500
Transaction costs	(56,314)	-	-	-	(56,314)
Shares issued under Employee Incentive Plan during the year	-	41,940	-	-	41,940
Options issued for acquisition of licence	-	5,600	-	-	5,600
Balance at 30 June 2010	6,492,070	47,540	1,542,372	(1,369,271)	6,712,711

These financial statements should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS
For the Year Ended 30 June 2010

	Note	Consolidated Group	
		Year ended 30 June 2010	Period from 26 November 2008 to 30 June 2009
		\$	\$
CASH FLOW FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(526,452)	(180,248)
Interest received		93,681	31,954
Net cash used in operating activities	19(b)	(432,771)	(148,294)
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(31,280)	(18,182)
Payments for exploration and evaluation expenditure		(651,715)	(226,765)
Payments for investment in listed company		(1,211,553)	-
Payments for security deposits		(10,000)	-
Net cash used in investing activities		(1,904,548)	(244,947)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from the issue of shares		1,479,000	3,400,004
Capital raising costs		(52,350)	(158,119)
Net cash provided by financing activities		1,426,650	3,241,885
Net (decrease) increase in cash and cash equivalents		(910,669)	2,848,644
Cash and cash equivalents at beginning of year/period		2,848,644	-
Cash and cash equivalents at end of year/period	19(a)	1,937,975	2,848,644

The Group has used its cash in a way consistent with its business objectives.

These financial statements should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

Note 1 – Statement of significant accounting policies

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

The financial statements cover Ausmon Resources Limited (“Parent Entity”), its controlled entity and its share of the assets, liabilities, revenue and expenses of joint venture operations as a consolidated entity (“Group”). Ausmon Resources Limited is a listed public company limited by shares, incorporated and domiciled in Australia.

Statement of compliance

Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards (IFRS).

Basis of preparation

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the revaluation of selected non-current assets and financial instruments for which the fair value basis of accounting has been applied.

Adoption of new and revised accounting standards

In the current year, the Group has adopted all of the new and revised accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period.

Significant effects on current, prior or future periods arising from the first-time application of the standards discussed above in respect of presentation, recognition and measurement of accounts are described in the following notes.

Adoption of AASB 8 Operating Segments

Ausmon Resources Limited and its controlled entity have adopted AASB 8: Operating Segment in these financial statements.

Adoption of AASB 101: Presentation of Financial Statements (revisions), AASB 2007-8 and 2007-10

Amendments arising from the revisions to AASB 101

Ausmon Resources Limited and its controlled entity have adopted the revisions to AASB 101: Presentation of Financial Statements in these financial statements which has resulted in the introduction of the statement of comprehensive income, changes to the statement of changes in equity, and other terminology changes.

Standards and interpretations not yet effective which have not been early adopted by Ausmon Resources Limited and its controlled entity

At the date of authorisation of the financial statements, the following Australian Accounting Standards / Accounting Interpretations have been issued or amended and are applicable to the Group but are not yet effective and have not been adopted in preparation of the financial statements.

Name of standard	Summary	Application date	Impact
(1) AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	AASB 9 Financial Instruments addresses the classification and measurement of financial assets.	1 Jan 2013	None
(2) Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards	The amendment clarifies and simplifies the definition of a related party.	1 Jan 2011	None
(3) AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19	AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.	1 Jul 2010	Potential effect not yet determined

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010 (continued)

(4) AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project and AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project.	1 Jul 2010	None
(5) AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements.	1 Jul 2013	None

Management anticipates that all of the above pronouncements will be adopted in the Group's financial statements for the first period beginning after the effective date of the pronouncements.

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

Significant Accounting Policies

(a) Principles of consolidation

A controlled entity is any entity that Ausmon Resources Limited has the power to control the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in Note 23 to the financial statements. All controlled entities have a June financial year end.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the Group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies applied by the parent entity.

Minority interests, being that portion of the profit or loss and net assets of subsidiaries attributable to equity interests held by persons outside the Group, are shown separately within the equity section of the consolidated statement of financial position and in the consolidated statement of comprehensive income.

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method. The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date

that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised initially as the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss after the fair value of the acquired assets and liabilities have been reassessed.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets liabilities and contingent liabilities recognised.

(b) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income). Current and deferred income tax expense (income) is charged or credited directly to other comprehensive income instead of the profit or loss when the tax relates to items that are credited or charged directly to other comprehensive income.

Current tax

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

Deferred tax

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010 (continued)

Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

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

(c) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(d) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(e) Receivables

Receivables represent the principal amounts due at balance date plus accrued interest and less, where applicable, any unearned income and allowance for doubtful accounts.

(f) Plant and equipment

Plant and equipment are measured on the cost basis. On disposal of an item of plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognised as a gain or loss. All items of plant and equipment are depreciated using the straight line method over their expected useful lives to the Group. The expected useful lives are as follows:

<u>Class</u>	<u>Useful life</u>
Furniture and other office equipment	5 years
Leasehold improvements	2 years

(g) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest, and carried forward in the Balance Sheet where:

- (i) rights to tenure of the area of interest are current; and
- (ii) one of the following conditions is met:
 - (i) such costs are expected to be recouped through successful development and exploitation of the area of interest or by its sale; or
 - (ii) exploration and/or evaluation activities in the area of interest have not at balance date yet reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas are continuing.

Indirect costs relating to exploration and evaluation in areas of interest are capitalised in the period they are incurred. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Accumulated expenditure on areas which have been abandoned, or are considered to be of no value, is written off in the year in which such a decision is made.

(h) Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and internally. Actual results may differ from these estimates.

The 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 if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key estimate – Share-based payments

The fair value of assets acquired in return for options granted are measured by reference to the fair value of options granted. The estimate of the fair value of the assets acquired is measured based on the Black-Scholes option pricing model. The contractual life of the options is used as an input into the model. Expectations of early exercise are incorporated into the model as well. The expected volatility is based on historic volatility (calculated on the average remaining life of the share option).

Significant estimate – Fair value of investments

The Group has decided to classify investments in listed and unlisted securities as “available-for-sale” investments and movements in fair value are recognised directly in other comprehensive income. The fair value of listed shares has been determined by reference to published price quotations in an active market.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010 (continued)

The estimate of the fair value of unlisted warrants is measured based on the Black-Scholes option pricing model. The contractual life of the warrants is used as an input into the model. Expectations of early exercise are incorporated into the model as well. The expected volatility is based on historic volatility (calculated on the average remaining life of the share warrant).

(i) Impairment

At each reporting date, the Group 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 dependent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at each reporting date and whenever there is an indication that the asset may be impaired. 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.

Plant and equipment are assessed for impairment on a cash generating unit ("CGU") basis. A cash generating unit is the smallest grouping of assets that generates independent cash flows and generally represents an individual tenement.

Impairment losses recognised in respect of cash generating units are allocated to reduce the carrying amount of the assets in the unit on a pro-rata basis. 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.

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 would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior year. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value. Impairment of goodwill is not reversed.

(j) Restoration, rehabilitation and environmental protection expenditure

Where applicable, a provision for material restoration obligations is recognised for exploration licences. The amount recognised includes costs of reclamation and site rehabilitation after taking into account restoration works which are carried out during exploration. The provision for restoration costs are determined from an estimate of future costs and are capitalised as exploration expenditure.

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

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

(k) Interests in joint ventures

The proportionate interest in the assets, liabilities and expenses of joint venture operations have been incorporated in the financial statements under the appropriate headings. Details of the joint venture are set out in Note 15.

(l) Foreign currency transactions and balances

Functional and presentational currency

The Group's financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions during the period are translated into functional currency using the rates of exchange prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined. Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income.

(m) Accounts payable

Accounts payable represent the principal amounts outstanding at balance date plus, where applicable, any accrued interest.

(n) Equity-settled compensation

The Company operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(o) Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010 (continued)

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

i. *Financial assets at fair value through profit or loss*

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

ii. *Loans and receivables*

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

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

iii. *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other financial assets are classified as current assets.)

iv. *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired.

(p) **Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation 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 expenses. Receivables and payables are stated with the amount of GST included.

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

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

(q) **Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(r) **Earnings per share**

Basic loss per share is determined by dividing the operating loss after income tax attributable to members of the Company by the weighted average number of ordinary shares outstanding during the financial period or year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial period.

When the Group has an operating loss after income tax and the conversion of ordinary share capital in respect of potential ordinary shares does not lead to a diluted earnings per share that shows an inferior view of the earnings performance of the Group, than is shown by basic loss per share, the diluted loss per share is reported as the same as basic earnings per share.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010 (continued)

(s) Segment reporting

Operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Group's chief operating decision maker which, for the Group, is the Board of Directors. In this regard, such information may be provided using different measures to those used in preparing the Statement of Comprehensive Income and Statement of Financial Position. Reconciliations of such management information to the statutory information contained in the financial statements have been included, where applicable.

(t) Parent entity financial information

The financial information for the Parent Entity, Ausmon Resources Limited, disclosed in Note 24 has been prepared on the same basis as the consolidated financial statements.

(u) Comparative information

The Group was formed on 26 November 2008 and accordingly the comparative period is from that date to 30 June 2009.

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



NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010 (continued)

Note 2 – Other expenses

	Consolidated Group	
	2010 \$	2009 \$
Audit fees	39,500	17,500
Consulting and contract fees	597,978	10,291
Directors remuneration	737,000	-
Investment transaction costs	1 10,403	-
Listing expenses	38,346	93,012
Operating leases	52,575	6,500
Projects written off	51,443	-
Registry	14,831	8,399
Share-based payments	41,940	-
Other	162,713	27,125
	1,846,729	162,827

Note 3 - Income tax

The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax expenses as follows :

Prima facie tax benefit on the loss from ordinary activities calculated at 30%	(371,519)	(39,262)
Tax effect of:		
Non - temporary differences	7,439	-
Equity capital raising costs debited to equity	(12,866)	(9,487)
Temporary differences and tax losses not recognised	376,946	48,749
Income tax expense	-	-

Tax losses

Unused tax losses for which no tax loss has been recognised as a deferred tax asset adjusted for non-temporary differences at 30%	824,758	43,499
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The taxation benefits will only be obtained if:

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

The Group intends to tax consolidate in Australia. There are presently no tax sharing of funding agreements in place. The Parent Entity and controlled entity are in tax loss for the year and have substantial tax losses carried forward. The Directors are of the view that there is insufficient probability that the Group will derive sufficient income in the foreseeable future to justify booking the tax losses and temporary differences as deferred tax assets and deferred tax liabilities.

Note 4 – Cash and cash equivalents

Cash at bank and in hand	1,937,975	2,848,644
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Note 5 – Trade and other receivables

Current

Other receivables	69,738	51,229
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NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010 (continued)

(a) Allowance for impairment loss

The Group does not have trade receivables. Other receivables are non-interest bearing and are generally on 30 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual receivable is impaired. No impairment has been recognised by the Group in the current period. No receivables are past due.

(b) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

(c) Foreign exchange and interest rate risk

Detail regarding foreign exchange and interest rate risk exposure is disclosed in Note 22.

	Consolidated Group	
	2010 \$	2009 \$
Note 6 – Other current assets		
Prepayments	616,909	-
Security deposits	10,000	-
	<u>626,909</u>	<u>-</u>
Note 7 – Financial assets		
Non-Current		
Financial assets at fair value through profit or loss ¹	1,140,009	-
Available-for-sale financial assets ²	2,369,681	-
	<u>3,509,690</u>	<u>-</u>
Note 8 – Plant and equipment		
Office equipment and furniture – at cost	42,070	19,325
Accumulated depreciation	(9,010)	-
	<u>33,060</u>	<u>19,325</u>
Leasehold improvements – at cost	7,392	-
Amortisation	(3,080)	-
	<u>4,312</u>	<u>-</u>
Total plant and equipment	<u>37,372</u>	<u>19,325</u>

¹ 5,750,000 share warrants held in Premium Exploration Inc. at fair value are included in the statement of comprehensive income.

² 5,750,000 ordinary shares held in Premium Exploration Inc.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010 (continued)

Movements during the year/period

Movements in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year:

	Office equipment and furniture	Leasehold improvements	Total
	\$	\$	\$
Balance at 26 November 2008	-	-	-
Additions	19,325	-	19,325
Balance at 30 June 2009	19,325	-	19,325
Additions	22,745	7,392	30,137
Depreciation	(9,010)	(3,080)	(12,090)
Balance at 30 June 2010	33,060	4,312	37,372

	Consolidated Group	
	2010	2009
	\$	\$

Note 9 – Exploration and evaluation expenditure

Exploration areas of interest at cost	1,643,472	244,629
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Movements during the year/period

Exploration areas:

Balance at beginning of year/period	244,629	-
Additions at cost	625,329	244,629
Acquired through business combination	753,514	-
Balance at end of year/period	1,643,472	244,629

Ultimate recoupment of the carrying value of the exploration areas is dependent on successful development and commercial exploitation, or alternatively sale of the respective areas of interest. The areas of interest are exploration licences held or being earned by the Group are detailed in the Licence Schedule on page 12.

Note 10 – Trade and other payables

Trade payables	39,265	28,926
Directors' remuneration accrual ¹	737,000	-
Sundry payables and accrued expenses	332,895	23,890
	1,109,160	52,816

¹The Directors agreed, subject to shareholders' approval at a general meeting, for the total remuneration due and payable at 30 June 2010 to be made in fully paid ordinary shares in the Company at 22 cents per share (arrived at by reference to the market price of the shares).

Note 11 – Provisions

Current

Employee provisions	3,285	-
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NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010 (continued)

	Consolidated Group	
	2010 \$	2009 \$
Note 12 – Issued capital		
59,820,004 (2009: 45,500,004) fully paid ordinary shares	6,492,070	3,241,884

	2010		2009	
	Number	\$	Number	\$
(a) Fully Paid Ordinary shares				
Balance at beginning of year/period	45,500,004	3,241,884	-	-
Movements during the year/period:				
Issue of:				
Subscription shares on incorporation on 26 November 2008 at \$1.00 each to:				
K M Fan	-	-	1	1
D W King	-	-	1	1
J Q Wang	-	-	1	1
G Zheng	-	-	1	1
Founder shares on 26 November 2008 at fair value to:				
Aumeng Investments Limited	-	-	24,300,000	-
D W King	-	-	250,000	-
Consultants	-	-	2,200,000	-
Shares in February 2009 for seed capital at 16 cents each:				
K M Fan	-	-	1,875,000	300,000
J Q Wang	-	-	937,500	150,000
G Zheng	-	-	937,500	150,000
Other investors	-	-	5,000,000	800,000
Shares in March 2009 on initial public offering at 20 cents each:				
D W King and his associates	-	-	30,000	6,000
Associates of J Q Wang	-	-	200,000	40,000
Associates of G Zheng	-	-	300,000	60,000
Other investors	-	-	9,470,000	1,894,000
Shares under Employee Incentive Plan	220,000	-	-	-
Shares under private placements at 20 cents each	6,000,000	1,200,000	-	-
Shares under private placements at 25 cents each	5,400,000	1,350,000	-	-
Shares for acquisition of Great Western Minerals Limited	2,500,000	712,500	-	-
Shares issued for acquisition of licence EL 6424	200,000	44,000	-	-
Share issue expenses	-	(56,314)	-	(158,120)
Balance at end of year/period	59,820,004	6,492,070	45,500,004	3,241,884

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. Every ordinary shareholder present at a meeting of the Company in person or by proxy, is entitled to one vote, and upon a poll each ordinary share is entitled to one vote.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010 (continued)

Ordinary shares have no par value.

	2010 Number	2009 Number
(b) Options over unissued shares		
Options exercisable at \$0.80 each on or before 30 June 2014:		
Listed		
Balance at beginning of year/period	14,375,000	-
Released from escrow during the year/period	1,100,000	-
Issued during the year/period	6,000,000	14,375,000
Balance at end of year/period	21,475,000	14,375,000
Unlisted		
Balance at beginning of year/period	13,375,000	-
Listed during the year/period	(1,100,000)	-
Issued during the year/period	-	13,375,000
Balance at end of year/period	12,275,000	13,375,000
Options exercisable at \$0.50 each on or before 30 June 2011:		
Unlisted		
Balance at beginning of year/period	-	-
Issued during the year/period	2,900,000	-
Balance at end of year/period	2,900,000	-
Total	36,650,000	27,750,000

The options were issued on placement of securities of the Company with investors and for the acquisition an exploration licence. They were not in connection with services provided, and are therefore outside the scope of AASB 2: Share-based Payment.

(c) Capital management

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

Management adjusts the capital structure to the extent possible to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

Note 13 – Reserves

(a) Asset revaluation reserve

The asset revaluation reserve records movements in fair value of financial assets classified as available-for-sale.

(b) Option reserve

The option reserve records items recognised as expenses on shares granted under the Ausmon Resources Limited Employee Incentive Plan and the fair value of options issued for the acquisition of EL 6424.

Note 14 – Share-based payments

The Company has established an Ausmon Resources Limited Employee Incentive Plan under which the Directors may offer options and ordinary shares in the Company to eligible persons. The Directors may also offer interest free loans for terms of up to 5 years under the plan for subscription of shares and under such loans the Company holds a lien over the issued shares. Refer to the Remuneration Report contained in the Directors' Report for details of the Ausmon Resources Limited Employee Incentive Plan.

220,000 shares at \$0.25 per share and loans totalling \$55,000 were granted to eligible persons under the plan during the year. There are no vesting conditions.

Balance at beginning of year/period	-	-
Granted during the year/period	220,000	-
Balance at end of year/period	220,000	-

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010 (continued)

The model inputs for assessing the fair value of shares granted under the Ausmon Resources Limited Employee Incentive Plan (EIP), applying the Black-Scholes Option Pricing Model, during the year are as follows:

Description	Issue and grant date	Share price at grant date	Life assumption	Risk free rate	Expected price volatility of the Company's share price	Value of option
100,000 shares under EIP	21/08/09	\$0.255	5 years	5.24%	92.5%	\$0.189
120,000 shares under EIP	26/10/09	\$0.255	5 years	5.09%	96.3%	\$0.192

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

	Consolidated Group	
	2010 \$	2009 \$

Note 15 – Interests in joint ventures

Interests in joint ventures	498,962	249,997
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The Company entered into a farm-in agreement with Robust Resources Limited and Robust Operations Pty Ltd (“Robust”) to earn an 85% interest in each of EL 6413, EL 6415, EL 6416 and EL 6417. Robust retains a 15% free carried interest in each EL until the Company earns its 85% interest therein, and thereafter exploration and development expenditure will be shared on a pro rata basis.

The controlled entity had farm-in arrangements with Black Range Minerals Limited, to earn 51% interest in each of EL 6400 and EL 6464 through expenditure work programs of \$1 million over a period to October 2011, when it was acquired by the Company in December 2009. In August 2010, the Group acquired 100% interests in these 2 licences eliminating the minimum joint venture earn-in commitments.

Exploration commitments in relation to the joint venture are included in Note 25. These commitments have been assumed by the Group under the joint venture arrangements.

The Group's share of assets employed in the joint venture operations is included in the statement of financial position in accordance with the accounting policy described in Note 1, under the following classifications:

Current Assets		
Cash and cash equivalents	2,583	31,857
Trade and other receivables	43,442	24,133
Other	10,000	-
Total Current Assets	56,025	55,990
Non-Current Assets		
Exploration and evaluation expenditure	642,206	221,620
Total Non-Current Assets	642,206	221,620
Current Liabilities		
Trade and other payables	10,690	27,613
Total Current Liabilities	10,690	27,613
Net Assets		
Revenues	-	-
Expenses	(1,255)	(3)
Loss before income tax expense	(1,255)	(3)
Income tax expense	-	-
Loss after income tax expense	(1,255)	(3)

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010 (continued)

Note 16 – Acquisition of controlled entity

On 21 December 2009, the Company acquired all the issued capital of Great Western Minerals Limited for a purchase consideration of 2,500,000 fully paid ordinary shares in the Company. At the date of issue of the shares the market price was \$0.285 per share. The Directors estimated the fair value of Great Western Minerals Limited at \$712,500. Great Western Minerals Limited is a limited liability company incorporated and domiciled in Australia.

	Acquiree's carrying amount	Fair value
	\$	\$
Purchase consideration – 2,500,000 fully paid ordinary shares	712,500	712,500
Receivables	2,397	2,397
Exploration and evaluation expenditure	17,144	753,514
Payables	(43,411)	(43,411)
Identifiable assets acquired and liabilities assumed	(23,870)	712,500

	Consolidated Group	
	2010	2009
	\$	\$
Acquiree's results since acquisition included in the consolidated statement of comprehensive income:		
Revenues	-	-
Expenses	(1,250)	-
Loss	(1,250)	-
Acquiree's results if acquisition had occurred at the beginning of the reporting period:		
Revenues	-	-
Expenses	(25,123)	-
Loss	(25,123)	-

Note 17 – Related party transactions

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

During the period the following related party transactions occurred in addition to the transactions disclosed elsewhere in these financial statements:

Key management personnel (KMP)

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2010.

(a) KMP compensation

The totals of remuneration payable to KMP of the Company and the Group during the year are as follows:

	Consolidated Group	
	2010	2009
	\$	\$
Short-term employee benefits	737,000	-
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	737,000	-

The remuneration is Director fees which are accruals for the period from December 2008 to June 2010 and have not been paid as at the date of this report. The Directors agreed, subject to shareholders' approval at a general meeting, for the total remuneration due and payable at 30 June 2010 be made in fully paid ordinary shares in the Company at 22 cents per share (arrived at by reference to the market price of the shares).

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010 (continued)

(b) KMP share holdings

The number of ordinary shares in Ausmon Resources Limited held directly and indirectly by each key management personnel of the Group during the financial year is as follows:

	Balance at beginning of year	Granted as compensation	Issued on exercise of options	Other changes	Balance at end of year
2010					
K M Fan, J Q Wang and G Zheng ¹	24,300,000	-	-	-	24,300,000
K M Fan	1,875,001	-	-	-	1,875,001
D W King ²	280,001	-	-	-	280,001
J Q Wang ³	1,137,501	-	-	-	1,137,501
G Zheng ⁴	1,237,501	-	-	(30,000)	1,207,501
2009					
K M Fan, J Q Wang and G Zheng ¹	-	-	-	24,300,000	24,300,000
K M Fan	-	-	-	1,875,001	1,875,001
D W King ²	-	-	-	280,001	280,001
J Q Wang ³	-	-	-	1,137,501	1,137,501
G Zheng ⁴	-	-	-	1,237,501	1,237,501

(c) KMP Option holdings

	Balance at beginning of year	Granted as compensation	Issued on exercise of options	Other changes	Balance at end of year
2010					
K M Fan, J Q Wang and G Zheng ¹	12,150,000	-	-	-	12,150,000
K M Fan	937,500	-	-	-	937,500
D W King ²	145,000	-	-	-	145,000
J Q Wang ³	668,750	-	-	-	668,750
G Zheng ⁴	768,750	-	-	-	768,750
2009					
K M Fan, J Q Wang and G Zheng ¹	-	-	-	12,150,000	12,150,000
K M Fan	-	-	-	937,500	937,500
D W King ²	-	-	-	145,000	145,000
J Q Wang ³	-	-	-	668,750	668,750
G Zheng ⁴	-	-	-	768,750	768,750

¹ Shares are held by Aumeng Investments Limited of which Directors K M Fan, J Q Wang and G Zheng are directors and in which they have substantial financial interests.

² 260,000 shares and 135,000 options are registered in the name Seistend Pty Ltd <D W King Super Fund>.

³ 200,000 shares and 200,000 options are registered in the name of MBA Accountants Pty Ltd <Australian MBA Super Fund> of which J Q Wang is a beneficiary.

⁴ 50,000 shares and 50,000 options are registered in the name of H&G Camden Pty Ltd in which G Zheng is a director.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010 (continued)

	Consolidated Group	
	2010 \$	2009 \$
(d) Other		
Paid to John Wang & Partners Pty Ltd, an entity controlled by Director J Q Wang		
- Services for tax return	2,000	-
- Rent for use of office space	6,500	6,500
Purchase of a laser colour photocopier/printer from Aumeng Resources Limited an entity controlled by directors K M Fan, J Q Wang and G Zheng	-	18,182

Note 18 – Remuneration of auditors

Remuneration of the auditors for:

- auditing or reviewing the financial reports	39,500	17,500
- investigating accountant's report in connection with prospectus dated 23 February 2009	-	14,051
	39,500	31,551

Note 19 – Notes to the Cash Flow Statement

(a) Reconciliation of cash

Cash at bank and on hand	1,937,975	2,848,644
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(b) Reconciliation of loss from ordinary activities after income tax to net cash used in operating activities

Loss after income tax	(1,238,398)	(130,873)
Add non-cash items in operating costs:		
Depreciation	12,090	-
Provision for employee entitlements	3,285	-
Shares issued to creditors	908,500	-
Shares issued under Employee Incentive Plan	41,940	-
Unrealised gain on investments	(593,265)	-
Changes in assets and liabilities relating to operations:		
Increase in creditors and accruals	1,070,749	29,685
Increase in receivables	(637,672)	(47,106)
Net cash used in operating activities	(432,771)	(148,294)

c) Non-cash financing activities

Issue of shares in the Company

Accounts payable totalling \$1,071,000 (of which \$908,500 related to operating activities) were applied to the subscription of 4,284,000 fully paid ordinary shares at 25 cents per share. 2,500,000 fully paid ordinary shares were issued at 28.5 cents per share for the acquisition of controlled entity Great Western Minerals Limited. 200,000 fully paid ordinary shares were issued at 22 cents per share for the acquisition of EL 6424 by the controlled entity.

Issue of options over unissued shares of the Company

6,000,000 options, each option exercisable at \$0.80 per share on or before 30 June 2014 were issued for nil consideration and attached to shares issued under a private placement. 2,700,000 options, each option exercisable at \$0.50 per share on or before 30 June 2011 were issued for nil consideration and attached to shares issued under a private placement. 200,000 options, each option exercisable at \$0.50 per share on or before 30 June 2011 were issued as part consideration for the acquisition of EL 6424.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010 (continued)

Note 20 – Segment information

The Group has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources. The Group operates in one business segment being mineral exploration. All segment assets, segment liabilities and segment results relate to the one business segment and therefore no segment analysis has been prepared. This position has not changed from the prior period.

	Consolidated Group	
	2010 \$	2009 \$

Note 21 – Earnings per share

Operating loss after income tax used in the calculation of basic and diluted loss per share	(1,238,938)	(130,873)
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	Number	Number
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic and diluted loss per share	52,404,223	36,877,319

The options are non dilutive for the period to 30 June 2010 (see Note 1(r)).

Note 22 – Financial risk management

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, bills, leases, preference shares and derivatives.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	Consolidated Group	
		2010 \$	2009 \$
Financial assets			
Cash and cash equivalents	4	1,937,975	2,848,640
Trade and other receivables	5	69,738	51,229
Other current assets	6	626,909	-
Financial assets at fair value through profit or loss			
— warrants	7	1,140,009	-
Available-for-sale financial assets at fair value			
— listed investments	7	2,369,681	-
Total Financial Assets		6,144,312	2,899,869
Financial Liabilities			
Financial liabilities at amortised cost			
— Trade and other payables	10	1,109,160	52,816
Total Financial Liabilities		1,109,160	52,816

(a) Financial risk management policies

The Board of Directors is responsible for, amongst other issues, monitoring and managing financial risk exposures of the Group. It also reviews the effectiveness of internal controls relating to commodity price risk, counterparty credit risk, currency risk, financing risk and interest rate risk. Management, in conjunction with the Board, reviews and agrees policies for managing each of these risks.

The overall risk management strategy seeks to assist the Group in meeting its financial targets, while minimising potential adverse effects on financial performance. This also include the review of the use of hedging derivative instruments, credit risk policies and future cash flow requirements.

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and commodity and equity price risk.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010 (continued)

(i) Interest rate risk

The Group has cash at bank and its income and operating cash flows are exposed to changes in market interest rates.

At balance date the Group had the following financial assets exposed to variable interest rate risk:

	Consolidated Group	
	2010 \$	2009 \$
Financial assets		
Cash and cash equivalents	1,937,975	2,848,640
Other current assets	10,000	-
	<u>1,947,975</u>	<u>2,848,640</u>

(ii) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at balance date, excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed in Note 5.

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

(iii) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

The Group does not have a material exposure to liquidity risk.

(iv) Price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Group is also exposed to securities price risk on investments held for trading or for medium to longer terms.

The Group has performed sensitivity analysis relating to its exposure to securities price risk at balance date. This sensitivity analysis demonstrates the effect on the current period results which could result from a change in these risks.

	Consolidated Group	
	2010 \$	2009 \$
Decrease/ (increase) in loss for the period		
- increase in fair value of warrants by 5%	39,900	-
- decrease in fair value of warrants by 5%	(39,900)	-
Decrease/ (increase) in other comprehensive income, net of tax		
- increase in fair value of shares by 5%	82,900	-
- decrease in fair value of shares by 5%	(82,900)	-

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010 (continued)

As the Group does not derive revenue from sale of products, the effect on profit and equity as a result of changes in the price risk is not considered material. The fair value of the mining projects will be impacted by commodity price changes (predominantly gold, silver and copper) and could impact future revenues once operational. However, management monitors current and projected commodity prices.

(v) Foreign currency risk

The Group is exposed to foreign currency risk on purchases and financial assets that are denominated in a currency other than Australian dollar. The currency giving rise to foreign currency risk on financial assets is Canadian dollars (CAD). The Group does not currently enter into derivative financial instruments to hedge such transactions denominated in a foreign currency.

At 30 June 2010, the Group had the following exposure to Canadian dollars:

	2010	2009
Financial assets		
Financial assets at fair value through profit or loss	1,140,009	-
Available-for-sale financial assets	2,369,681	-
	<u>3,509,690</u>	<u>-</u>

The Consolidated Group has performed sensitivity analysis relating to its exposure to foreign currency risk at balance date. This sensitivity analysis demonstrates the effect on the net exposure which could result from a change in this risk.

Foreign currency sensitivity analysis

Increase/(decrease) in net exposure

-Australian dollar depreciates by 5% against CAD	184,700	-
-Australian dollar appreciates by 5% against CAD	(167,100)	-

(b) Net fair values

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

Differences between fair values and carrying values of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the Group. Most of these instruments which are carried at amortised cost (i.e. term receivables, held-to-maturity assets, loan liabilities) are to be held until maturity and therefore the net fair value figures calculated bear little relevance to the Group.

For assets and other liabilities, the net fair value approximates their carrying values. The Group has no financial assets where the carrying amount exceeds net fair values at balance date.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010 (continued)

(c) Financial instruments

Interest rate risk

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

	Average interest rate	Variable interest rate	Fixed interest rate maturing		Non-interest bearing	Total
			Within 1 year	1 to 5 years	Within 1 year	
2010	%	\$	\$	\$	\$	\$
Financial assets						
Cash and cash equivalents	4	1,937,968	-	-	7	1,937,975
Trade and other receivables	-	-	-	-	69,738	69,738
Other		10,000	-	-	616,909	626,909
		1,947,968	-	-	686,654	2,634,622
Financial liabilities						
Trade and other payables	-	-	-	-	1,109,160	1,109,160
2009	%	\$	\$	\$	\$	\$
Financial assets						
Cash and cash equivalents	3	2,848,640	-	-	4	2,848,644
Trade and other receivables	-	-	-	-	51,229	51,229
		2,848,640	-	-	51,233	2,899,873
Financial liabilities						
Trade and other payables	-	-	-	-	52,816	52,816

(d) Sensitivity analysis

The Group has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current period results which could result from a change in these risks.

	Consolidated Group	
	2010 \$	2009 \$
Interest rate sensitivity analysis		
Decrease/ (increase) in loss		
- increase in interest rate by 2%	46,000	19,000
- decrease in interest rate by 2%	(46,000)	(19,000)

Note 23 – Controlled entity

Great Western Minerals Pty Ltd (formerly Great Western Minerals Limited) is incorporated in Australia and is wholly-owned by the Parent Entity.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010 (continued)

Note 24 – Parent Entity information

	2010 \$	2009 \$
Assets		
Current assets	2,632,225	2,899,873
Non-current assets	5,165,827	263,954
Total assets	7,798,052	3,163,827
Liabilities		
Current liabilities	1,084,091	52,816
Total liabilities	1,084,091	52,816
Equity		
Issued capital	6,492,070	3,241,884
Reserves	1,589,912	-
Accumulated losses	(1,368,021)	(130,873)
Total equity	6,713,961	3,111,011
Financial performance		
Loss for the year	(1,237,147)	(130,873)
Other comprehensive income	1,542,372	-
Total comprehensive income	305,225	(130,873)

The Parent Entity has not entered into any financial guarantees which is outstanding and has no contingent liabilities or commitments for the acquisition of property, plant and equipment as at 30 June 2010 and 30 June 2009.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2010 (continued)

Note 25 – Commitments

Exploration expenditure commitments

The expenditure commitments to maintain rights to tenure and earn interests under joint venture arrangements in exploration licences as at 30 June 2010 have not been provided for in the financial statements and are due:

	\$	\$
Within twelve months	1,136,300	268,300
Twelve months or longer and not longer than five years	-	270,000
	1,136,300	538,300

In August 2010, the Group acquired 100% interests in EL 6400 and EL 6464 resulting in the elimination of the minimum joint venture earn-in commitments for those licences and a reduction of \$492,000 in the expenditure commitments that are due within twelve months as from 30 June 2010.

The Group has obligations to restore land disturbed during exploration under the terms and conditions of licences.

In July 2010, the Company renewed the office lease agreement for a period of one year with rental commitments of \$43,680.

Note 26 – Contingent liabilities

At balance date, the Group and its joint venture operations have no contingent liabilities.

Note 27 – Events after balance sheet date

There has not arisen in the interval since 30 June 2010 and up to the date of this report, any matter that, in the opinion of the Directors, has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years other than that on 18 August 2010, the Group acquired 100% interests in exploration licences 6400 and 6464 in New South Wales for a consideration of \$200,000 cash and 1,000,000 fully paid ordinary shares in the Company consequently terminating the joint venture under which the Group was earning 51% interest in those licences for work expenditure commitments of \$1,000,000.

The financial report was authorised for issue on 30 September 2010 by the Board of Directors.

DIRECTORS' DECLARATION

For the Year Ended 30 June 2010

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 22 to 46, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards;
 - (b) give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the Consolidated Group; and
 - (c) complies with International Financial Reporting Standards as disclosed in Note 1.
2. the Chief Executive Officer and Chief Financial Officer have each declared that:
 - (a) the financial records of the Company for the financial period have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.
3. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



John Q Wang
Director

Dated this 30th day of September 2010



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Independent Auditor's Report To the Members of Ausmon Resources Limited

Report on the financial report

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

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that are 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. The directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

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In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's opinion

In our opinion:

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

Report on the remuneration report

We have audited the Remuneration Report included in pages 14 to 15 of the directors' report for the year ended 30 June 2010. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C F Farley
Director - Audit & Assurance

Sydney, 30 September 2010

ADDITIONAL INFORMATION

Additional information included in accordance with Listing Rules of the ASX Limited.

I. SHAREHOLDINGS

(a) Distribution of Shareholders as at 6 September 2010

Size of Holding	Holders	Ordinary Shares Held	%
1-1,000	1	400	0.001
1,001-5,000	15	57,255	0.091
5,001- 10,000	246	2,439,915	3.903
10,001-100,000	102	4,192,695	6.706
100,001 – and over	69	55,829,739	89.299
	433	62,520,004	100.000

4 shareholders held less than a marketable parcel.

(b) Top Twenty Shareholders as at 6 September 2010

Shareholder	Number of Ordinary Shares	% Held of Issued Ordinary Capital
Aumeng Investments Limited	24,300,000	38.868
King Ming Fan	1,875,001	2.999
Fort Capital Pty Ltd	1,750,000	2.799
X P Pu & X Y Wang & J Wang <Ivy Family S/F a/c>	1,680,000	2.687
Atlantic Pacific Capital Limited	1,650,000	2.639
Wujiang Investment Pty Ltd	1,500,000	2.399
Smart Step Limited	1,232,000	1.971
WVM & ML Sam Yue <Samyue Super Fund a/c>	1,180,000	1.887
P R & H M Murray <PHM Super Fund a/c>	1,000,000	1.599
Yaohua Yang	1,000,000	1.599
Yongjian Wang	1,000,000	1.599
Black Range Minerals Limited	1,000,000	1.599
John Wang	937,001	1.500
Gang Zheng	907,501	1.452
I B Mitchell	898,257	1.437
Yelin Xu	871,000	1.393
Lurong Wang	700,000	1.120
Fuloughby Pty Limited	511,000	0.817
Oni Design Pty Ltd	500,000	0.800
Octan Energy Pty Ltd	500,000	0.800
Twenty largest shareholders	44,991,760	71.964
Others	17,528,244	28.036
	62,520,004	100.000

ADDITIONAL INFORMATION (continued)

2. LISTED OPTION HOLDINGS

(a) Distribution of Option holders as at 6 September 2010

Listed options – \$0.80 exercisable on or before 30 June 2014

Size of Holding	Holders	Options Held	%
1-1,000	-	-	-
1,001-5,000	-	-	-
5,001- 10,000	262	2,620,000	12.200
10,001-100,000	78	3,293,750	15.338
100,001 – and over	48	15,561,250	72.462
	388	21,475,000	100.000

(b) Top Twenty Listed Options holders as at 6 September 2010

Shareholder	Number of Ordinary Shares	% Held of Issued Ordinary Capital
Fort Capital Pty Ltd	1,100,000	5.122
WVM & ML Sam Yue <Samyue Super Fund a/c>	1,100,000	5.122
Yaohua Yang	1,000,000	4.657
Yongjian Wang	1,000,000	4.657
King Ming Fan	937,500	4.366
X P Pu & X Y Wang & J Wang <Ivy Family S/F a/c>	655,000	3.050
Wujiang Investment Pty Ltd	625,000	2.910
Yelin Xu	500,000	2.328
John Wang	468,750	2.183
Gang Zheng	468,750	2.183
Xiao Hua Li	400,000	1.863
Yongquan Zhang	400,000	1.863
Qin Liu	400,000	1.863
Wong Yuet Moye Sam Yue	335,000	1.560
Smlinda Pty Ltd	312,500	1.455
Xiao Ping Pu	250,000	1.164
Actwise Pacific Pty Ltd	250,000	1.164
Andrew Ouyang	250,000	1.164
Vicki Ouyang	250,000	1.164
Lili Wu	250,000	1.164
C K Camden Pty Ltd	250,000	1.164
Shen Tai International Trading Co Ltd	250,000	1.164
Helen Du	250,000	1.164
Australia Xinhe International Pty Ltd	250,000	1.164
Hui Yang	250,000	1.164
Teddy Kwok Keung Wong	250,000	1.164
Twenty largest optionholders	12,452,500	57.986
Others	9,022,500	42.014
	21,475,000	100.000

ADDITIONAL INFORMATION (continued)

3. UNLISTED OPTION HOLDINGS

Distribution of Option holders as at 6 September 2010

(a) Options – \$0.80 exercisable on or before 30 June 2014

Size of Holding	Holders	Options Held	%
1-1,000	-	-	-
1,001-5,000	-	-	-
5,001- 10,000	-	-	-
10,001-100,000	-	-	-
100,001 – and over	2	12,275,000	100.00
	2	12,275,000	100.00
Holder of 20% or more:			
Aumeng Investments Limited		12,150,000	98.982

(a) Options A – \$0.50 exercisable on or before 30 June 2011

Size of Holding	Holders	Options Held	%
1-1,000	-	-	-
1,001-5,000	-	-	-
5,001- 10,000	-	-	-
10,001-100,000	2	84,000	2.897
100,001 – and over	8	2,816,000	97.103
	10	2,900,000	100.00
Holder of 20% or more:			
Atlantic Pacific Capital Limited		800,000	27.586
Smart Step Limited		708,000	24.414

3. VOTING RIGHTS

- At meetings of members each member entitled to vote may vote in person or by proxy or attorney or, in the case of a member which is a body corporate, by representative duly authorized.
- On a show of hands every member entitled to vote and be present in person or by proxy or attorney or representative duly authorised shall have one (1) vote.
- On a poll every member entitled to vote and be present in person or by proxy or attorney or representative duly authorised shall have one (1) vote for each fully paid share of which he is a holder.

4. AUDIT COMMITTEE

As at the date of this report the Company has an Audit Committee - a subcommittee of the Board of Directors.

5. SUBSTANTIAL SHAREHOLDERS

The securities held by substantial shareholders are as follows:

Name	Number of Shares
Aumeng Investments Limited, K M Fan, J Q Wang and G Zheng	28,520,003