# 2011 ANNUAL REPORT

ASHBURTON MINERALS LTD

# CORPORATE DIRECTORY

## Ashburton Minerals Ltd

ABN: 99 008 894 442
Listed on the Australian Securities Exchange
on 19 April, 1994

## Registered Office and Principal Place of Business

Level 1, 254 Railway Parade
WEST LEEDERVILLE
Western Australia 6007

## Contact Details

Telephone: 61 8 9363 7800

Facsimile: 61 8 9363 7801

Email: info@ashmin.com.au

Web: www.ashburton-minerals.com.au

## Country of Incorporation

Australia

## Auditors

Moore Stephens Chartered Accountants
Level 3, 12 St George's Terrace
PERTH Western Australia 6000

Telephone: 61 8 9225 5355

Facsimile: 61 8 9225 6181

## Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway,
APPLECROSS Western Australia 6153

Telephone: 61 8 9315 2333

Facsimile: 61 8 9315 2233

## Home Exchange

Australian Stock Exchange Limited
Exchange Plaza
2 The Esplanade
PERTH Western Australia 6000

## ASX Code

ATN

## 2011 Annual General Meeting

Ashburton Minerals Ltd's Annual General Meeting will be held at Hotel Northbridge, 210 Lake Street Northbridge WA 6003, commencing at 11:00 am (WST) on Friday 25 November 2011.

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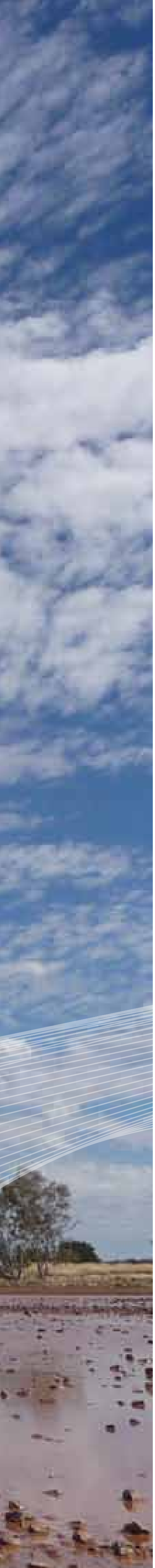
# ASHBURTON PROFILE

## Key Data as at 30 June 2011

| | | |
|---|---|---|
| Market Capitalisation: | $25.75 million | |
| No. Shareholders: | 2,138 | |
| Shares on Issue: | 735,685,043 | |
| Major Shareholders: | RW and CJ Crabb | 13.93% |
| | JP Morgan Nom Aust Ltd | 8.77% |
| | P and V Bradford | 6.08% |
| | Macquarie Bank Ltd | 4.25% |
| Options (unlisted): | 1,875,500 at 4 cents, expiring 12 September 2012 | |
| | 10,500,000 at 7.25 cents, expiring 21 April 2014 | |
| | 5,000,000 at 8.7 cents, expiring 21 April 2014 | |
| | 5,000,000 at 10.15 cents, expiring 21 April 2014 | |
| Share Price 30 June 2011: | 3.5 cents | |
| Share Price 1 July 2010: | 1.7 cents | |
| Cash at Bank as at 30 June 2011: | $2,577,634 | |

## Core Business and Strategy

Ashburton Minerals Ltd (Ashburton) is a Perth based junior mineral exploration company listed on the Australian Securities Exchange (ASX Code: ATN). The Company is focused on the exploration and development of projects with demonstrable mineralisation and significant potential to host large economic deposits with the capability of generating long-term returns for the Company's shareholders.



# ASHBURTON PROFILE

## Principal Operations FY2011

### MT WEBB PROJECT (COPPER), WESTERN AUSTRALIA

- 1,270 square kilometers; 4 exploration licences
- Widespread copper mineralisation at Pokali prospect
- Best intercept: hole PKC21: 246 metres at 0.22% copper, including 12 metres at 1.1% copper from 168 metres
- New copper anomaly at Pokali, 400 metres long

### OBI GOLD PROJECT, INDONESIA

- 77 square kilometre IUP (exploration licence)
- Epithermal gold-silver-base metal mineralisation
- Extensive artisanal gold workings
- Samples average 16 g/t Au, 0.56 % Pb, 0.46% Zn
- Opportunity to explore a producing goldfield
- Option terminated subsequent to 30 June 2011 due to reduced potential post drilling

### SPRING VALLEY PROJECT (ZINC, LEAD & COPPER), NEW SOUTH WALES

- 25 square kilometers; 1 exploration licence
- Cu-Pb-Zn anomalies identified
- EM geophysical survey results suggest a buried conductor and possible zone of sulphide mineralisation

### CAPRICORN JOINT VENTURE (COPPER, GOLD & ZINC), WESTERN AUSTRALIA

- 419 square kilometers; 2 exploration licences
- Prospective for gold and base metal mineralisation
- Elevated gold, copper and zinc geochemistry
- Initial reconnaissance completed; results pending

### YEA GOLD PROJECT, VICTORIA

- 300 square kilometre area exploration licence
- Historical workings reported high grades
- Option terminated in March

# FY11 SNAPSHOT

## Highlights

| | |
|---|---|
| September 2010 | Signed an option agreement to acquire Victorian based Yea Gold Project |
| November 2010 | Executed an option agreement with PT Eka Samudra Nusantara to acquire a majority interest (85%) in the Obi Gold Project in Indonesia. |
| December 2010 | Completed a placement of 75 million shares at 2 cents per share raising $1.5 million.<br>Announced a 1 for 4 entitlement issue at 2 cents per share comprising 146,012,009 shares to raise $2.92 million. |
| January 2011 | Strong uptake of entitlement issue by Ashburton shareholders.<br>Relocated Company head office and registered address to West Leederville |
| February 2011 | Executed a joint venture agreement with Resource Mining Corporation to explore the Proterozoic Capricorn Orogen in Western Australia. |
| March 2011 | Secured a drilling contract with PT Indo Asia Resources to conduct diamond drilling programme at the Obi Gold Project.<br>Completed a surface electromagnetic (EM) survey at the Spring Valley Project.<br>Yea Gold Project option terminated. |
| April 2011 | 4,075,000 shares issued to Director Mr. Peter Bradford raising $80,150. Thus, all 146,012,009 shares under the entitlement issue were successfully allotted raising a total of $2.92 million.<br>A total of 4,712,500 options were exercised at 4 cents each raising $188,500. |
| May 2011 | Diamond drilling rig arrived at the Obi Gold Project.<br>Extensive, project-scale, regional ground gravity survey completed at Mt Webb.<br>915,500 options were exercised at 4 cents each raising $36,620. |
| June 2011 | Around the clock drilling programme commenced at the Obi Gold Project.<br>Final instalment of the entry fee paid to PT Eka Samudra Nusantara relating to the Obi Gold Project.<br>First-pass regional geochemical survey commenced at Mt Webb. |

## After Balance Date Events

| | |
|---|---|
| July 2011 | Completion of the initial helicopter-assisted reconnaissance sampling at the Capricorn Project. |
| August 2011 | Second diamond drilling rig arrived at Obi to accelerate production. |
| September 2011 | Initial drilling results from Obi show the presence of only a single high-grade vein, without gold in the altered host rocks, thus greatly reducing the potential for a large gold resource. The option over the Obi Gold Project was not exercised and the project was terminated. |

## Challenges

- Initial delays delivering drilling rig to Obi Gold Project due to shipping logistical challenges in Indonesia. A second rig was mobilised to counteract lost time.
- Surface electromagnetic (EM) survey at Spring Valley was delayed due to heavy and persistent rains. The EM survey was successfully completed the following month.

# BOARD OF DIRECTORS

**Ashburton's Board members have broad ranging and extensive professional expertise, business management experience and technical knowledge of mineral exploration, evaluation and development.**

The Board is committed to the Company's core business and strategy set out in the Ashburton Profile section on page 4.

*Mr. Rick Crabb (Chairman), Mr, Tom Dukovcic (Managing Director), Mr Rodney Dunn (Company Secretary)*

## Mr. Rick Crabb
**Chairman**
**(Non-executive)**

**Appointed to the Board**
1 September 1999

**Qualifications**
BJuris (Hons), LLB, MBA, FAICD

**Relevant experience**
Mr. Crabb practiced as a Solicitor from 1980 to 2004. During this time he specialised in mining, corporate and commercial law. He has provided legal counsel in relation to finance, marketing, government agreements and construction contracts for numerous resource development projects throughout Australia and Africa. Mr. Crabb now focuses on his public company directorships and investments. He is a Fellow of the Australian Institute of Company Directors. In his capacity as Ashburton's Chairman, Mr. Crabb brings valuable legal, commercial and resource development experience and expertise to the Board.

**Directorships held in other listed companies**
Director of Golden Rim Resources Limited from 22 August 2001 – Current

Director of Otto Energy Ltd from 19 November 2004 – Current

Director of Paladin Energy Ltd from February 1994 – Current

In the past three years, Mr. Crabb was formerly a Director of Port Bouvard Ltd (2 December 1996 – 23 April 2009) and Royal Resources (23 February 2004 – 11 August 2009).

**Interest in shares and options**
As at 30 June 2011, Mr. Crabb held an interest in 102,465,176 ordinary shares, representing 13.93% of the issued capital of the Company.

## Mr. Tom Dukovcic
**Managing Director**
**(Executive)**

**Appointed to the Board**
22 April 1999

**Qualifications**
BSc (Hons), MAIG, MAICD

**Relevant experience**
Mr. Dukovcic is a Geologist with over 20 years experience in exploration and development. He has worked in diverse regions throughout Australia including the Yilgarn, Kimberley, central Australia and northeast Queensland. Internationally he has worked in Southeast Asia and Brazil. During this time he has been directly involved with the management of gold discoveries in Australia and Brazil. Mr. Dukovcic is a member of the Australian Institute of Geoscientists and a member of the Australian Institute of Company Directors. He brings valuable geological knowledge, exploration and management experience and expertise to the Board.

**Interest in shares and options**
As at 30 June 2011, Mr. Dukovcic held an interest in 6,750,000 ordinary shares and 15 million unlisted options.

## Mr. Peter Bradford
**Director**
**(Non-executive)**

**Appointed to the Board**
3 June 2008

**Qualifications**
BAppSc Extractive Metallurgy, FAusIMM, MSMME, MAICD

**Relevant experience**
Mr. Bradford is a Metallurgist and Corporate Executive with 30 years experience in gold and base metal operations in Africa and Australia. Mr. Bradford is President and CEO of Copperbelt Resources Limited. He is a Fellow of the Australasian Institute of Mining and Metallurgy, a member of the Society for Mining, Metallurgy and Exploration, and a member of the Australian Institute of Company Directors. He is also past President and an honorary lifetime member of the Ghana Chamber of Mines.

**Directorships held in other listed companies**
Mr. Bradford served on the Board of Kula Gold Limited (September 2008 – June 2011), Anvil Mining Limited (September 1998 – November 2009) and Golden Star Resources Ltd (August 2000 – February 2008).

**Interest in shares and options**
As at 30 June 2011, Mr. Bradford held an interest in 44,700,000 ordinary shares representing 6.08% of the issued capital of the Company.

## Trent Eggeling
**Senior Geologist**

## Shelley Glossop
**Office Manager**

RICK CRABB
Chairman

# CHAIRMAN'S REPORT

Dear Shareholders,

**I am very pleased to report that Ashburton Minerals Ltd (Ashburton) had a productive and successful 2011 financial year and accomplished a number of significant operational and corporate achievements.**

## OPERATIONAL ACHIEVEMENTS

Considerable progress was made at Ashburton's Mt Webb Project in Western Australia. Project-scale, regional ground gravity and regional geochemical surveys were carried out to ascertain the areas of potential beyond the Pokali prospect, which has been the Company's focus to date.

Results obtained from these surveys are very encouraging and include a number of gold anomalies in the central part of the project area, including a coincident gold-platinum-lead anomaly.

Additional aircore drilling was also undertaken at Ashburton's Pokali prospect, which led to the discovery of a new high order copper anomaly. This anomaly is substantially larger than prior copper anomalies in the area and suggests the potential for a significant body of copper mineralisation.

The outlook for Mt Webb is very promising. I am confident that ongoing exploration work will continue to yield positive results and that the likelihood of defining an economic copper deposit at Mt Webb remains high.

In keeping with Ashburton's objective of acquiring a significant gold project, in November 2010 the Company acquired an option over an exploration licence in Indonesia referred to as the Obi Gold Project.

The Obi Gold Project licence area contained a producing artisanal goldfield from which fifteen random ore samples collected by Ashburton during its due diligence yielded an average gold grade of 16.7 grams per tonne (g/t).

After some logistical delays, the Company commenced a diamond drilling programme at Obi in June 2011. As announced to the market on 9 September 2011, however, results from the drilling programme revealed the gold to be restricted to a near-surface sub-horizontal quartz vein, the main source of the ore for the artisanal miners. In each case where this vein was intercepted by Ashburton's drilling, the vein was partly mined out. Additional veins were not intersected at depth, thus limiting the potential for Ashburton to be able to define an economic resource at depth, in ground beyond the artisanal miner operations.

Based on these results, the Company could not justify additional expenditure on the project and elected to terminate the Heads of Agreement. The decision to terminate aligns with Ashburton's strategy of pursuing only highly prospective projects with potential for large economic deposits.

Ashburton's right to 50% of profits from a proposed operation to process artisanal ore by non-mercury means remains in place.

In February 2011, the Company executed a joint venture agreement with Resource Mining Corporation to explore two tenements within the Proterozoic Capricorn Orogen located southwest of Paraburdoo in Western Australia.

Following conceptual evaluation, the joint venture carried out a helicopter reconnaissance of the area and collected soil and vegetation samples to assess the prospectivity of the tenements. These results are expected in September / October 2011.

Additional exploration was also carried out at Ashburton's Spring Valley Project in New South Wales where a surface electromagnetic (EM) survey was completed. Results suggest the presence of a distinct conductor and therefore a potential drill target for sulphide mineralisation.

## CORPORATE ACHIEVEMENTS

The 2011 financial year commenced with optimistic investor sentiment in the Australian equities market, in particular the resources sector. This confidence was largely buoyed by continuing demand for raw materials and economic growth within China and India, and in turn higher commodity prices.

Despite the comparative strength of the Australian economy, investor confidence ebbed towards the close of the year amid growing concerns of sovereign debt default in Europe and the United States.

Notwithstanding these concerns, in December 2010 the Company successfully completed a placement of 75 million shares at 2 cents per share raising $1.5 million. The placement was made under the Company's 15% placement capacity to institutional and sophisticated investors.

Investors included Macquarie Bank, Schroeder Equities and clients of Foster Stockbroking and BGF Equities.

A further $2.9 million was raised in February 2011 by way of a 1 for 4 entitlements issue. Strong support was shown by shareholders who took up 82% of shares raising $2,401,108.72. The remaining 21,881573 shares were placed by Foster Stockbroking and 4,075,000 shares were issued (with shareholder approval) to Director Peter Bradford raising $437,631 (before costs) and $80,150, respectively.

Further progress was made with the repatriation of funds and relocation of equipment associated with the April 2010 sale of Ashburton's Cuiaba gold project in Brazil. This process is expected to be completed early in the new financial year.

Work is currently being undertaken to redevelop the Company's website in order to provide efficient, accurate and timely information to Ashburton's shareholders and other stakeholders. The enhanced website is expected to be completed towards the end of the 2011 calendar year.

Cash on hand as at 30 June 2011 was $2.57 million and the Company remains in a sound position to progress its current projects and seek alternative ventures during the 2012 financial year.

## OUTLOOK

During the next financial year Ashburton will continue to focus on exploration of its current projects, in particular, Mt Webb, while evaluating additional opportunities that align with the Company's strategy.

I would like to acknowledge and thank my fellow Board members for their continuing counsel and support. I also extend my gratitude to Managing Director Tom Dukovcic and all of the Ashburton team for their dedication and hard work throughout the 2011 financial year.

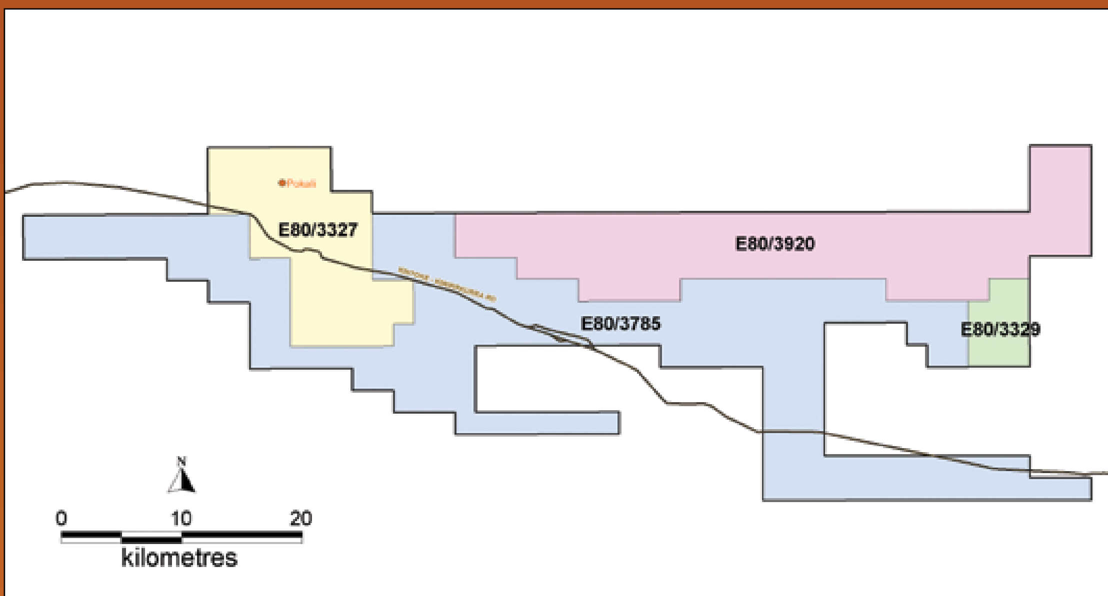
Importantly, I would like to thank shareholders for your ongoing support and interest in the Company. I remain confident in the geological and management experience of Ashburton's team to guide the Company to exploration success in the 2012 financial year.

RICK CRABB
**Chairman**

## MT WEBB IOGC, WESTERN AUSTRALIA

**Ashburton commenced exploration at Mt Webb in August of 2008. The Company's principal point of interest from the outset has been the Pokali prospect where Ashburton has identified significant copper mineralisation over a widespread area, including a best intercept of 246 metres at 0.22% copper.**


LOCATION:
THE MT WEBB PROJECT IS LOCATED WHOLLY WITHIN WESTERN AUSTRALIA, 650 KILOMETRES DUE WEST OF ALICE SPRINGS ABUTTING THE NORTHERN TERRITORY BORDER.




### TENURE AND TERMS

The 1,270 square kilometre project includes four exploration licences encompassing the western part of the Proterozoic Arunta Region. Contained within the project area is a complex suite of rock types including mafic and felsic volcanics, sediments and intrusive granitoids of an age (~ 1640 million years) that overlaps the most important period of mineralisation in the Proterozoic (eg Ernest Henry and Olympic Dam). The Mt Webb Project also spans a significant terrane boundary marked by the Central Australian Suture, a long-lived crustal scale fault, and its subsidiary structures, that could have important implications as pathways for mineralising fluid.

## GEOLOGY AND MINERALISATION

Rock types in the area include greenschist facies metamorphic schists variably modified by thermal metamorphism associated with extensive granitoid intrusion. Amongst these is the 1640 Ma Mt Webb Granite, a fractionated I-type granitoid thought to represent a major continental collision event coincident with a hairpin bend in the polar wander path.

The iron-oxide copper-gold (IOCG) mineralisation at Pokali is associated with widespread and intense silicification and magnetite alteration. The system sits at the copper end of the spectrum with little gold present – although gold shows a direct geochemical association with copper. Copper bearing minerals include chalcopyrite which occurs in disseminated to blebby form, with minor amounts of malachite, bornite and occasional native cover.

Host rocks are a series of metamorphosed sediments and high-Mg volcanics present as a variety of schistose rocks with silica, magnetite and/or biotite overprints. Better copper grades are often associated with intervals of increased pervasive silica alteration. All recorded copper mineralisation occurs in association with an elevated magnetic susceptibility. The presence of intermittent hematite alteration, however, is noted in the easternmost holes, suggesting a possible vector towards better mineralisation.

Other than Pokali, the central and eastern parts of the Mt Webb Project area contain several geophysical anomalies marked by semicoincident gravity and magnetic highs, a feature often typical of IOCG deposits.

## PRIOR WORK BY ASHBURTON

Exploration at the Pokali prospect has resulted in the discovery of widespread copper mineralisation over an area of some four kilometres in length and one kilometre in width. Prior work by Ashburton includes the following:

- August 2008 – reconnaissance
- October 2008 – reverse circulation drilling
- 2009 – reverse circulation drilling
- 2010 – reverse circulation drilling

Reverse circulation (RC) drilling undertaken at Pokali in May 2010 returned promising results, with the easternmost hole, PKC024, containing 12 metres at 1.1% copper from 168 metres within a broader intercept of 246 metres at 0.22% copper from 4 metres.

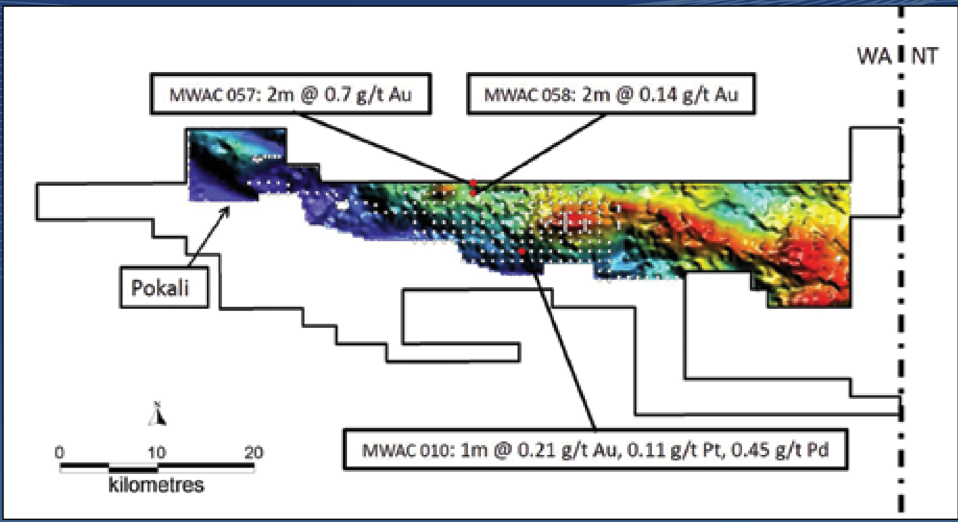



*Figure 1: Mt Webb ground-gravity survey (in colour) with superimposed regional aircore drilling, showing newly discovered gold anomalies.*

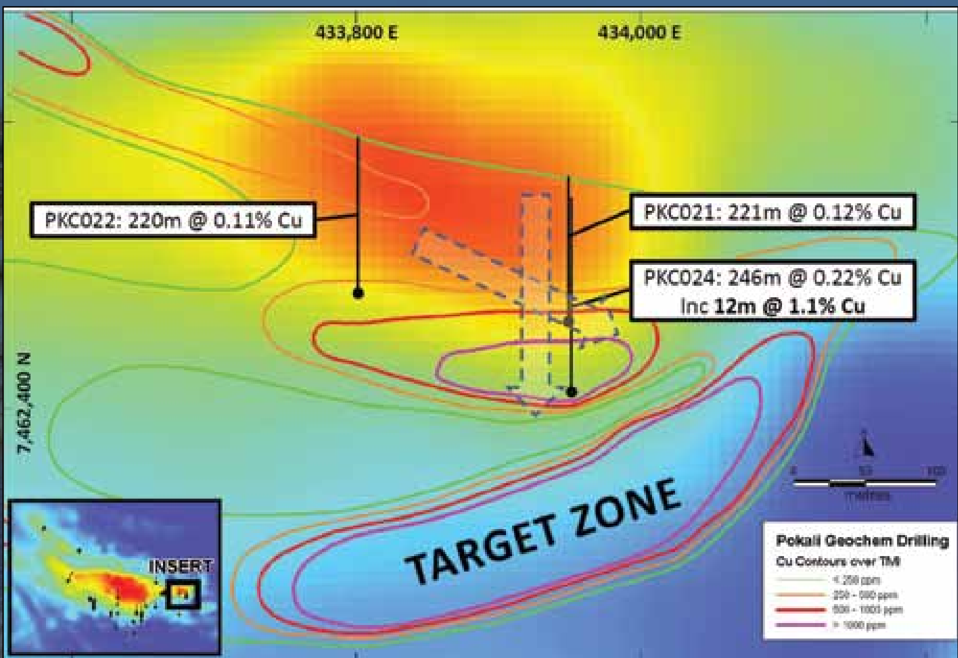



*Figure 2: New copper anomaly at Pokali, located south and southeast of best drilling results to date, in an area of no drilling. Note the vectors to better copper mineralisation as defined by existing drilling data (shown by dashed broad arrows) pointing to the new target zone.*

*The anomaly was discovered beneath transported sand cover by the recent geochemical drilling programme and lies adjacent to the zone that has so far returned the best intercept from Pokali, namely 246 metres @ 0.22% Cu from drill hole PKC 024 (Figure 3). As can be seen, the anomaly lies peripheral to past drilling and represents an exciting drilling target that is further supported by observed vectors towards increased copper mineralisation.*

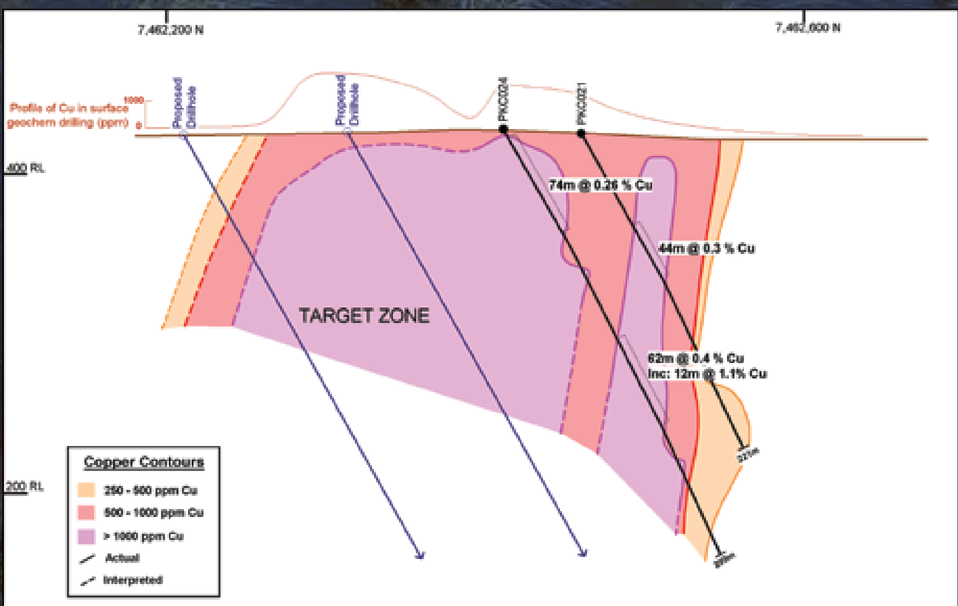



*Figure 3. Cross-section, looking west, through the easternmost line of drilling at Pokali. Note copper distribution based on current drilling data and location of the much larger target zone.*

## RECENT EXPLORATION AND PROGRESS

In late May 2011, Ashburton engaged Daishsat Geodetic Surveyors to carry out an extensive, project-scale, regional ground gravity survey.

The survey covered 580 square kilometres on a 400 metre by 400 metre grid. The principal aim of this survey was to identify additional areas of interest within the project area away from the Pokali prospect.

Subsequent to the gravity survey, Ashburton completed a regional geochemical survey on a nominal one kilometre by one kilometre grid. A 4WD-mounted aircore drilling rig was used to collect samples beneath sand cover at the bedrock interface. Drill spoil was tested in the field utilising a Niton portable x-ray florescence analyser to screen for anomalous mineralisation that warranted further investigation while the rig was on site.

The regional geochemical programme comprised 233 vertical aircore holes (MWAC 01 – 233) drilled through transported sand cover to sample underlying bedrock. Holes averaged between 2 metres and 12 metres in depth, intersecting various lithologies dominated by undifferentiated chloritic schist. An additional 31 holes (PKAC 01 – 33) were drilled along the eastern and southern extensions of the Pokali prospect on 50 metre centres in order to determine if copper mineralisation continued beneath sand cover beyond Pokali hilll.

Important results include a new copper anomaly discovered at the Pokali prospect and a number of gold anomalies in the central part of the project area, including a coincident Au-Pt-Pd anomaly (Figure 1).

Six of the aircore holes drilled at Pokali returned values of 0.17% (1700 ppm) copper or above, with a high of 0.5% (5000 ppm) Cu. The resulting anomaly defines a high order drilling target, with all indications suggesting the potential for a significant body of copper mineralisation beneath the target. The anomaly is almost 400 metres in length, as defined by the 1000 ppm (0.1 %) copper contour, and is substantially larger than prior copper anomalies in the vicinity (Figure 2).

## PLANNED EXPLORATION FOR 2012

Ashburton will test the new target at Pokali with a programme of RC drilling possibly before the end of the 2011 field season.

The gold and gold-platinum anomalies will be followed up next season with a detailed infill geochemical survey. The presence of two adjoining anomalies, spaced 1 kilometre apart, suggests the potential for a sizeable gold-mineralised system in the area. Prospectivity is further enhanced by the presence of a major regional structure as defined by aeromagnetic data, but also by ground gravity data as seen in in Figure 1.

The outlook for Mt Webb is very promising and Ashburton is encouraged by the ongoing positive results from this exciting area.

# OBI GOLD PROJECT, INDONESIA

**In November 2010, Ashburton entered into an option agreement to acquire an 85% interest in the Obi Gold Project in Indonesia.**

LOCATION:
THE PROJECT IS LOCATED ON THE ISLAND OF OBI IN THE REGENCY OF SOUTH HALMAHERA IN EASTERN INDONESIA.


## TENURE AND TERMS

Tenure is secured by an exploration mining permit (IUP) granted under Indonesia's new mining law on 8 January 2010. The IUP is held by private Indonesian company PT Eka Samudra Nusantara (PT Eka).

The 77 square kilometre tenement is situated near the northern coast of Obi Island and extends 15 kilometres inland to the south. The IUP surrounds an existing artisanal goldfield, which is located within a designated small-scale mining area of 3 square kilometres centred on Ambon Hill.

Following is a summary of the Heads of Agreement (HoA) between Ashburton and PT Eka and action taken. These terms were agreed to on the basis that the Obi Gold Project showed the promise to define substantial gold resources in a short period of time.

The terms of the HoA were:

- Ashburton paid $100,000 to PT Eka on signing the Heads of Agreement to secure a four week due diligence period.
- Ashburton elected to proceed on 10 December 2010 and pursuant to the terms of the HoA, paid US$1.5 million, in three equal payments of US$500,000 to PT Eka, thus securing an exclusive twelve month option to explore the IUP. With this payment Ashburton also secured rights to 50% of profit from PT Eka's proposed non-mercury gravimetric plant to process the artisanal gold ore.
- Ashburton was to spend US$1 million on exploration by 10 December 2011 to earn the right to acquire a 51% equity interest in PT Eka by the payment of US$2 million and the issue of 30 million fully paid Ashburton shares.
- If Ashburton so proceeded, it would have earned a three year option to expend US$2.5 million on exploration to earn the right to acquire a further 34% equity intent in PT Eka by the payment of US$2.89 million and the issue of 30 million fully paid Ashburton shares.

Subsequent to 30 June 2011, Ashburton received initial drilling results from the Obi Gold Project which showed gold to be restricted to a near-surface sub-horizontal quartz vein, with the altered host rocks being essentially non auriferous. The option payment of US$2 million and the issue of 30 million shares could not be justified and the HoA was terminated. The right to 50% of PT Eka's profit from the processing plant survives termination of the HoA.

## GEOLOGY AND MINERALISATION

The principal artisanal workings, referred to as the Ambon goldfield, are developed on the side of Ambon hill some 2.6 kilometres from the coastal village of Anggai.

During an initial site visit, Ashburton staff collected fifteen random run-of-mine artisanal ore samples, which were brought to Perth for analysis. Results were very encouraging and revealed an average gold grade of 16.17 grams per tonne (g/t), ranging from 4.3 g/t to 42.3 g/t with notable lead and zinc credits.

## PRIOR WORK

There was local knowledge of prior exploration work carried out in the area in the mid 1990s, including the drilling of ten diamond drill holes.

Ashburton subsequently confirmed that this work was undertaken by PT Obi Minerals, a BHP subsidiary, 80% owned by BHP Minerals Sulawesi Inc and 20% owned by PT Aneka Tambang (Persero) Tbk (BHP).

Exploration by BHP in the Ambon area included rock chip sampling, stream sediment sampling, soil sampling, trenching and drilling. At the time of the BHP work, there were no artisanal workings in the area.

Five of the ten BHP holes were drilled in the vicinity of the current artisanal workings and include the following high grade intercepts:

- 9.15 metres at 26.25 g/t, in hole AOD 09, from 38.0 metres
- 13.70 metres at 6.13 g/t, in hole AOD 10, from 39.4 metres
- 2.20 metres at 15.20 g/t, in hole AOD 07, from 78.6 metres

BHP described the gold mineralisation as being associated with sulphides contained in quartz veins and quartz breccia contained in sedimentary rocks and Miocene andesite. The geological drill logs could not be located, however, which limited the understanding of the geology and distribution of the gold within the reported intercepts.

Although incomplete, the available data confirmed the presence of extensive gold mineralisation and high-grade intercepts within the PT Eka IUP.

## RECENT EXPLORATION AND PROGRESS

Ashburton's diamond drilling programme commenced on 3 June 2011 with the rig operating around the clock on a 2 x 12 hour shift basis.

The initial stages of the drilling programme identified a sub-horizontal host rock sequence of tuffaceous sediments, andesite and flow breccia. This sequence was invaded by gold bearing hydrothermal fluids which resulted in varying amounts of alteration including pyrite, hematite, quartz-carbonate and clay minerals. Alteration extends for up to 80 metres down hole with varying intensity.

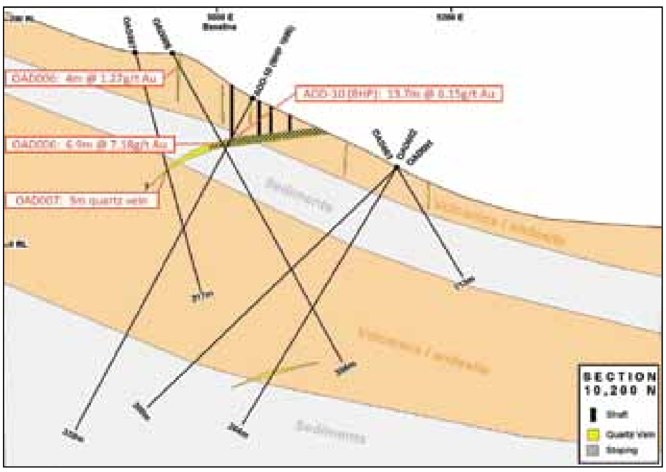
These initial observations were sufficiently encouraging to bring in a second drilling rig to accelerate production.

The first batch of 502 diamond core samples were dispatched in late August 2011 by airfreight to Perth for analysis by ALS Laboratories. Assay results revealed that the broad zone of altered host rocks carried little or no gold mineralisation. The gold was contained in a sub-horizontal quartz vein, a large portion of which occurred close to the surface. It appeared that this was the main vein being exploited by the artisanal miners. Although theoretically limited to the top 25 metres under law, the vein was being mined to depths of 50 metres or more. In each case where the vein was intercepted by drilling it was either partly or wholly mined out.

The best result returned by the drilling was 6.9 metres at 7.18 g/t in drill hole OAD 06, from 86 metres down hole.

Subsequent geological information from logging of the next two holes in the drilling programme, holes OAD 07 and OAD 08, clearly confirmed the earlier findings, with broad zones of alteration and minimal quartz veining.

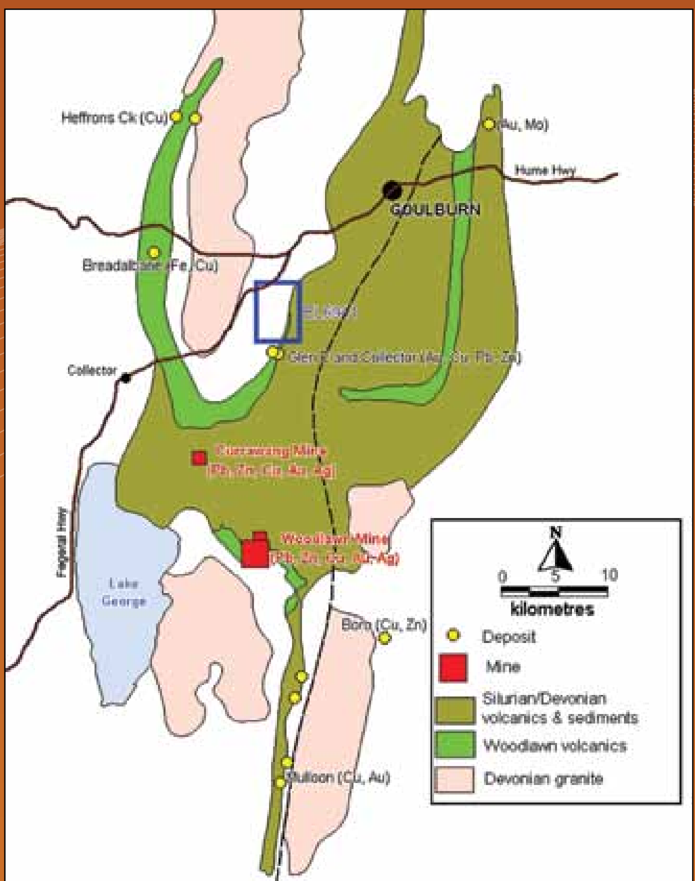
On the basis of these results, the Board made a decision that proceeding with the HoA on the current terms could not be justified. Attempts to renegotiate acceptable terms with the vendor were unsuccessful and the HoA was terminated in late September 2011.



## SPRING VALLEY (ZN, CU, PB), NEW SOUTH WALES

**Ashburton commenced exploration at Spring Valley in 2007.**


LOCATION:
THE SPRING VALLEY PROJECT IS LOCATED NEAR THE TOWNS OF GOULBURN AND CANBERRA IN NEW SOUTH WALES, SOME 20 KILOMETRES NORTH OF THE WOODLAWN ZN-PB MINE.




### TENURE AND TERMS

The project consists of a single licence, EL6941, 25 square kilometres in area.

A low order copper-lead-zinc (Cu-Pb-Zn) anomaly has been identified peripheral to an area of alluvial cover where historical work interpreted a potential electromagnetic (EM) bedrock conductor – a feature often related to massive sulphide mineralisation.

## PRIOR WORK BY ASHBURTON

In 2010 Ashburton took 430 soil samples and mapped the Spring Valley tenement. Zn-Pb-Cu anomalies were identified with maximum values of 245 ppm Zn, 379 ppm Pb and 106 ppm Cu. A subsequent ground-magnetic survey highlighted a magnetic low in the southern part of the licence area.

## RECENT EXPLORATION AND PROGRESS

In March 2011, Ashburton commissioned a combined In-loop and Slingram electromagnetic (EM) ground-based geophysical survey.

The survey focused on the southern portion of the project tenement where the surface Zn-Pb-Cu anomaly is seen to trend westward beneath alluvial cover that parallels a distinct magnetic low.

The results of the EM survey indicate the presence of a distinct conductor, interpreted as being approximately 150 metres below the surface, and possibly representing a buried zone of sulphide mineralisation.

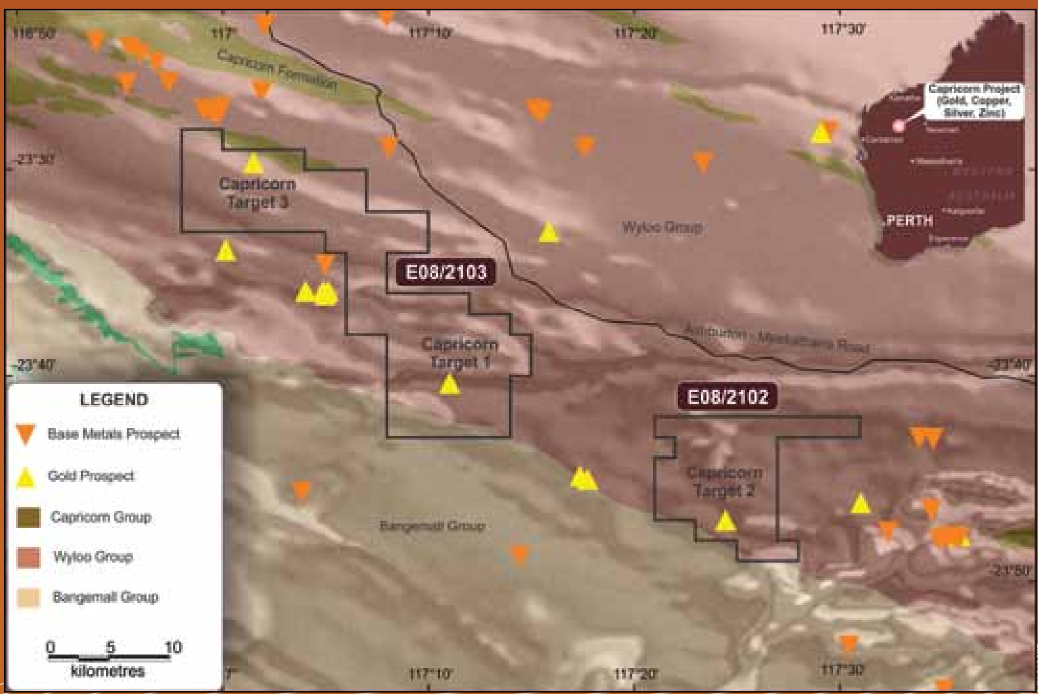
## PLANNED EXPLORATION FOR 2012

If detailed analysis and interpretation of the EM survey suggest that the conductor potentially represents a sufficiently large body, then Ashburton will test the anomaly with an initial programme of one or two diamond drill holes.

## CAPRICORN JOINT VENTURE, WESTERN AUSTRALIA

**In February 2011 Ashburton, through its wholly owned subsidiary Ashburton Gold Mines NL (ASH), executed a 50/50 joint venture agreement with Resource Exploration Limited (REX), a subsidiary of Resource Mining Corporation (RMC). The joint venture is managed by RMC.**


LOCATION:
THE CAPRICORN JV IS LOCATED SOME 80 KILOMETRES SOUTHWEST OF PARABURDOO IN WESTERN AUSTRALIA AND COVERS A NUMBER OF HISTORICAL STREAM SEDIMENT ANOMALIES WITH ELEVATED GOLD, COPPER AND ZINC GEOCHEMISTRY.




TENURE AND TERMS

The two exploration licences E08/2102 and E08/2103 that comprise the project occupy a total area of 419 square kilometres.


## GEOLOGY AND MINERALISATION

The Capricorn JV is located within the Proterozoic Capricorn Orogen which includes the Edmund and Collier Basins and the Gascoyne Complex. Such Proterozoic sedimentary and metamorphic terranes found elsewhere around the world can be host to large zinc-lead-silver and copper-gold deposits.

## RECENT EXPLORATION AND PROGRESS

Following desktop evaluation, RMC undertook initial helicopter assisted reconnaissance exploration of the project area.

Some 100 surface soil and vegetation samples were collected to assess the prospectivity of the tenements. These samples have been submitted for analysis for multi-element geochemistry with results pending at the time of writing (September 2011).

## PLANNED EXPLORATION FOR 2012

Should initial results prove sufficiently positive, the JV will carry out a ground based exploration programme of soil sampling in areas of interest.

## YEA GOLD PROJECT, VICTORIA

**The Yea Gold Project is a single licence, EL 523. A number of historical fields sit within the exploration licence, including the Yea Goldfield, which reportedly produced 30,000 ounces of gold at an average of 1oz (30 grams) per tonne.**


LOCATION:
THE YEA GOLD PROJECT IS LOCATED SOME 90 KILOMETRES NORTH NORTHEAST OF MELBOURNE IN VICTORIA, ABUTTING THE TOWNSHIP OF YEA.

### RECENT EXPLORATION WORK AND PROGRESS

The prime target was the historical Perseverance zone of workings within the Yea Goldfield. Due to difficulties in negotiating sensible access terms with the freehold landowners, however, this target could not be explored.

Focus was then turned to the Whittaker's lode within the Triangles Goldfield, another high-grade, though small-tonnage line of historical workings where diamond drilling by Ashburton intersected narrow, stringer-type quartz-sulphide mineralisation returning a best gold intercept of only 0.5 metres at 1.17 grams per tonne.

Consequently, the Yea Gold Project option was terminated.

# TENEMENT SCHEDULE

| Project | Tenement | Annual Minimum Expenditure | Ashburton Interest |
|---|---|---|---|
| Mt Webb Project | E80/3327 | $106,00 | Ashburton Minerals Ltd 100% |
| | E80/3329 | $50,000 | Ashburton Minerals Ltd 100% |
| | E80/3785 | $300,000 | Ashburton Gold Mines NL 100% |
| | E80/3920 | $106,000 | Ashburton Gold Mines NL 100% |
| Obi Gold Project | No. 3 A.2010<br>8 Jan 2010 | Not Applicable | PT Eka Samudra Nusantara<br>Ashburton earning up to 85%<br>**Option Terminated** |
| Spring Valley Project | EL6941 | $39,000 | Ashburton Minerals Ltd earning 80% |
| Capricorn JV | E082102 | $40,000 | Ashburton Gold Mines NL 50%<br>Resource Exploration Limited 50% |
| | E082103 | $93,000 | Ashburton Gold Mines NL 50%<br>Resource Exploration Limited 50% |
| Yea Gold Project | EL5234 | NIL | Ashburton Minerals Ltd option to acquire 100%<br>**Option Terminated** |

***The information in this report that relates to Exploration Results is based on information compiled by Mr Tom Dukovcic, who is an employee of the Company and a member of the Australian Institute of Geoscientists and who has sufficient relevant experience 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." Mr Dukovcic consents to the inclusion in this report of information compiled by him in the form and context in which it appears.***

# CONTENTS FINANCIAL REPORT 2011

# DIRECTORS' REPORT

Your Directors present their report on Ashburton Minerals Ltd (the Company) and its Controlled Entities ("the Economic Entity" or "the Group") for the financial year ended 30 June 2011.

**DIRECTORS**

The names of the Directors in office and at any time during, or since the end of, the year are:
Mr Rick Crabb
Mr Tom Dukovcic
Mr Peter Bradford
Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

**COMPANY SECRETARY**

The following person held the position of Company Secretary at the end of the financial year:
Mr Rodney Dunn

**PRINCIPAL ACTIVITIES**

The principal activity of the Economic Entity during the financial year was mineral exploration.

**OPERATING RESULTS**

The consolidated loss of the Economic Entity for the financial year after providing for income tax amounted to $1,450,305(2010: $270,380)

**DIVIDENDS PAID OR RECOMMENDED**

The Directors recommend that no dividend be paid for the year ended 30 June 2011, nor have any amounts been paid or declared by way of dividend since the end of the previous financial year.

**FINANCIAL POSITION**

The net assets of the Economic Entity have increased by $3,576,634 from $4,241,602 at 30 June 2010 to $7,818,236 at 30 June 2011.

The Directors believe the Group is in a stable financial position to maintain its current operations.

**SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

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

- On 30 July 2010, the Company announced the completion of the third phase of drilling at the Pokali prospect within the Company's Mt Webb copper project. This work enhanced the prospectively of Pokali by identifying new zones of copper mineralisation, with the highlight being hole PKC024 which intersected 246 metres @ 0.22% Cu from 4 m, including a high-grade zone of 12 metres @ 1.1% Cu from 168 m. Copper mineralisation at Pokali remains open in all directions.
- On 16 September 2010, the Company announced it had entered into an option agreement over the Yea gold project in Victoria to explore a number of high-grade historical gold mines to test the scope for near-term high-grade gold resources. As part of the option terms, the Company made an initial payment to the vendors of $33,333 in cash and issued 7,500,000 shares and 7,500,000 options exercisable at 4 cents each by 12 September 2012.
- On 18 November 2010, the Company announced that it had entered into an option agreement to acquire a majority interest in the Obi gold project in Indonesia. The 77 square kilometre tenement ("IUP") encompasses a substantial artisanal goldfield with ore samples averaging 16 g/t Au, 0.56% Pb and 0.46% Zn. Under the terms of the option agreement, the Company is to pay the vendor, PT Eka Samudra Nusantara ("Eka") US$1.5 million to secure a 12 month exploration period in which the Company is to spend US$1.0 million. At the conclusion of the 12 month period (10 December 2011), if the Company elects to continue, it is to pay US$2 million and issue 30 million shares to secure a 51% equity interest in Eka. The Company would then have a further 3 years to expend US$2.5 million to have the option to acquire an 85% interest in Eka via a further payment of US$2.89 and the issue of a further 30 million shares. Eka is to utilise the initial US$1.5 million to construct a mercury-free gravity processing plant to process artisanal gold ore, with the Company entitled to 50% of net profits from this operation, which arrangement is for perpetuity and would survive the termination of the option agreement.
- The Company held its Annual General Meeting on 26 November 2010 at Hotel Northbridge 210 Lake Street Northbridge WA 6003.
- On 30 November 2010, the Company announced that it had agreed to place 75,000,000 fully paid ordinary shares at an issue price of 2 cents per share to institutional and sophisticated investors including Macquarie Bank and clients of Foster Stockbroking and BGF Equities, raising $1.5 million.

- On 16 December 2010, the Company announced a non-renounceable Entitlements Issue of 1 share for every 4 shares held at an issue price of 2 cents per share, to issue a maximum of 146,012,009 shares to raise up to $2,920,240. The issue closed on 21 January with existing shareholders taking up 82.22% of the available shares (comprising 98,784,223 primary entitlements and 21,271,213 additional shares), raising $2,401,108. A shortfall of 25,956,573 shares was placed by Foster Stockbroking raising a further $519,131. The remaining 4,075,000 shares were to be placed at 2 cents per share to director Peter Bradford as additional shares, pending shareholder approval at general meeting.
- On 2 March 2011, the Company announced that a diamond drilling rig had been secured for the Obi gold project in Indonesia, while diamond drilling at The Triangles area within the Yea gold project had commenced.
- On 13 March 2011, the Company announced that it had made the second tranche payment of US$500,000 to Eka pursuant to the terms of the Heads of Agreement over the Obi gold project.
- On 1 April 2011, the Company announced the termination of the drilling programme at The Triangles area, with only narrow stringer-type quartz veining intersected. Meanwhile, a surface EM geophysical programme was completed at the Spring Valley Zn-Pb project tin NSW.
- On 18 April 2011, the Company announced that it had gained access to and obtained a historical report on exploration activities at Obi in 1996 by BHP subsidiary PT Obi Minerals, with diamond drilling results including encouraging intercepts of gold mineralisation such as 9.15 metres @ 26.25 g/t, 13.7 metres @ 6.13 g/t and 2.20 metres @ 15.20 g/t. The arrival of the Company's diamond drilling rig has been delayed by weather and shipping logistics issues.
- On 19 April 2011, 1,000,000 options were exercised at 4 cents each raising $40,000.
- On 19 April 2011, a General Meeting of shareholders passed the following resolutions:
    - Participation by director Peter Bradford in a placement of shortfall shares
    - Grant of Incentive Options to managing director Tom Dukovcic
    - Adoption of an Employee Share Option Plan.

Accordingly, on 21 April 2011, the Company issued 4,075,000 shares at 2 cents per share to Peter Bradford, raising a further $81,500. The Company also issued options to managing director Tom Dukovcic comprising:

- 5,000,000 options exercisable at 7.25 cents each before 21 April 2014
- 5,000,000 options exercisable at 8.70 cents each before 21 April 2014 and
- 5,000,000 options exercisable at 10.15 cents each before 21 April 2014.

- On 29 April 2011, 3,712,500 options were exercised at 4 cents each raising $148,500.
- On 3 May 2011, 912,500 options were exercised at 4 cents each raising $36,500.
- On 23 May 2011, the Company announced the arrival of the diamond drilling rig at Obi, with drilling commencing 11 days later on 3 June 2011.
- On 15 June 2011, under the employee share option scheme as approved by shareholders at general meeting on 19 April 2011, the Company issued a total of 5,500,000 unlisted options exercisable at 7.25 cents each by 21 April 2014.
- On 23 June 2011, the Company announced the completion of an extensive regional ground gravity geophysical survey over the Mt Webb project tenements, covering an area of 580 square kilometres.
- On 27 June 2011, the Company announced that it had made the third tranche, and final, payment of US$500,000 to Eka as per the terms of the Heads of Agreement pertaining to the Obi gold project.

**AFTER BALANCE DATE EVENTS**

On 29 July, the Company announced the commencement of a regional aircore geochemical drilling programme at Mt Webb, and the completion of a helicopter-borne regional reconnaissance survey at the Capricorn JV.

On 23 August 2011, the Company announced the arrival of the second drilling rig at Obi, which was brought in to accelerate drilling progress.

On 9 September 2011, the Company announced the results from the first batch of core samples obtained from the Obi gold project, comprising 502 samples from holes OAD 04, 05 and 06. The results showed that high-grade gold was restricted to a single quartz vein, which was being exploited by the artisanal miners. The altered host rocks were unmineralised, thus downgrading the likelihood of a large bulk tonnage economic gold resource. The high-grade vein returned an intercept of 6.9 metres @ 7.18 g/t, which concurred with historical BHP drilling. This vein has a sub-horizontal attitude and occurs near the surface. In each case, the vein was either wholly or partly mined out by the artisanal miners.

**FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES**
The Company will continue with its present strategy of investment in and exploration and development of advanced and prospective mineral projects, both in Australia and overseas. The nature of the Company's business is speculative and the Board considers that comments on expected results or success of this strategy are not appropriate or in the best interests of the Company.

**ENVIRONMENTAL ISSUES**
The Economic Entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory, or of an overseas jurisdiction.

**INFORMATION ON DIRECTORS**

| | |
|---|---|
| **Mr Rick Crabb** | Chairman (Non-executive)<br>Appointed 1 September 1999 |
| Qualifications | BJuris (Hons), LLB, MBA. |
| Experience | Mr Crabb practiced as a solicitor from 1980 to 2004 specialising in mining, corporate and commercial law. He has advised on all legal aspects including financing, marketing, government agreements and construction contracts for many resource development projects in Australia and Africa. Mr Crabb now focuses on his public company directorships and investments. In his capacity as Ashburton Chairman, Mr Crabb brings valuable legal, commercial and resource development experience and expertise to the Board. |
| Interest in Shares and Options | Mr Crabb holds an interest in 102,456,176 ordinary shares. |
| Directorships held in other listed entities | Mr Crabb is currently a director of Paladin Energy Ltd (from 8 February 1994), Golden Rim Resources Limited (from 22 August 2001) and Otto Energy Ltd (from 19 November 2004). During the past three years Mr Crabb's former directorships in other listed entities are Port Bouvard Ltd from 2 December 1996 to 23 April 2009 and Royal Resources from 23 February 2004 to 11 August 2009. |

| | |
|---|---|
| **Mr Tom Dukovcic** | Managing Director (Executive)<br>Appointed 22 April 1999 |
| Qualifications | BSc (Hons), MAIG, MAICD |
| Experience | Mr Dukovcic is a geologist with over 20 years experience in exploration and development. He has worked in diverse regions throughout Australia, including the Yilgarn, Kimberley, central Australia and northeast Queensland. Internationally he has worked in southeast Asia and Brazil. During this time he has been directly involved with the management of gold discoveries in Australia and Brazil. Mr Dukovcic is a Member of the Australian institute of Geoscientists and a Member of the Australian Institute of Company Directors. He brings valuable geological knowledge, exploration and management experience and skills to the Board. |
| Interest in Shares and Options | Mr Dukovcic holds an interest in 6,725,000 ordinary shares and 15,000,000 unlisted options. |

| | |
|---|---|
| **Mr Peter Bradford** | Non-Executive Director<br>Appointed 3 June 2008 |
| Qualifications | BAppSc Extractive Metallurgy, FAusIMM, MSMME, MAICD |
| Experience | Mr Bradford is a metallurgist and corporate executive with 30 years experience in gold and base metal operations in Africa and Australia. Mr Bradford is President and CEO of Copperbelt Resources Limited He is a Fellow of the Australasian Institute of Mining and Metallurgy, a Member of the Society for Mining Metallurgy and Exploration, and a Member of the Australian institute of Company Directors. He is also past president and lifetime member of the Ghana Chamber of Mines. |
| Interest in Shares and Options | Mr Bradford holds an interest in 44,700,000 ordinary shares. |
| Directorships held in other listed entities | During the past three years Mr Bradford has served on the Board of Kula Gold Limited (September 2008 – June 2011, Anvil Mining Limited (September 1998 to November 2009) and Golden Star Resources Ltd (August 2000 to February 2008). |

**REMUNERATION REPORT**

This report details the nature and amount of remuneration for each Director of Ashburton Minerals Ltd.

**Remuneration Policy**

The remuneration policy of Ashburton Minerals Ltd has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Economic Entity's financial results. The Board of Ashburton Minerals Ltd believes the remuneration policy to be appropriate and effective in its ability to attract and retain appropriate executives and directors to run and manage the Economic Entity, as well as create goal congruence between directors, executives and shareholders.

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

> The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed and approved by the Board.
>
> Non-executive directors, executive directors and senior executives receive either a director's fee or a base salary (which is based on factors such as length of service and experience), which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles, as well as employer contributions to superannuation funds.
>
> Executive directors can be employed by the Company on a consultancy basis, on Board approval, with remuneration and terms stipulated in individual consultancy agreements.
>
> The Board reviews executive packages annually by reference to the Company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries. In addition external consultants may be used to provide analysis and advice to ensure the directors' and senior executives' remuneration is competitive in the market place.
>
> Salaried directors and senior executives receive a superannuation contribution, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.
>
> All remuneration paid to directors and executives is valued at the cost to the Company and expensed, except to the extent that the director's or executive's time is spent on exploration activities. The director's or executive's salary is then apportioned on a time basis and capitalised to exploration. Shares issued to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology.

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Economic Entity. The Directors are not required to hold any shares in the Company under the Constitution of the Company; however, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

The Board believes that it has implemented suitable practices and procedures that are appropriate for an organisation of this type and size.

**Remuneration Committee**
During the year ended 30 June 2011, the Economic Entity did not have a separately established nomination or remuneration committee. Considering the size of the Economic Entity and the number of directors, the Board is of the view that these functions could be efficiently performed with full Board participation.

**Remuneration Structure**
In accordance with best practice corporate governance, the structure of non-executive director and senior manager remuneration is separate and distinct.

**Non-Executive Director Remuneration**
*Objective*
The Board seeks to set aggregate remuneration at a level which provides the Economic Entity with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

*Structure*
Non-executive directors receive a base salary (which is based on factors such as length of service and experience), which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles, as well as employer contributions to superannuation funds.

The Directors have resolved that non-executive directors' fees are $30,000 per annum for each non-executive director. Non-executive Directors may also be remunerated for additional specialised services performed at the request of the Board and reimbursed for reasonable expense incurred by directors on Company business.

**Senior Manager and Executive Director Remuneration**
*Objective*
The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company as to:

- Align the interests of executives with those of shareholders;
- Link reward with the strategic goals and performance of the Company; and
- Ensure total remuneration is competitive by market standards

*Structure*
Executive directors are provided with a base salary (which is based on factors such as length of service and experience), which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles, as well as employer contributions to superannuation funds.

**Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration**
The table below sets out summary information about the consolidated entity's earnings and movements in shareholder wealth for the 5 years to 30 June 2011:

| | **2007**<br>**$** | **2008**<br>**$** | **2009**<br>**$** | **2010**<br>**$** | **2011**<br>**$** |
|---|---|---|---|---|---|
| Revenue | 39,304 | 39,996 | 10,547 | 49,702 | 205,957 |
| Net Profit/(Loss) | (1,734,853) | (1,918,798) | (2,452,715) | (270,380) | (1,450,305) |
| Share price at start of year | 0.0396 | 0.0390 | 0.0250 | 0.0100 | 0.0160 |
| Share price at end of year | 0.0390 | 0.0250 | 0.0100 | 0.0160 | 0.0350 |
| Earnings Per Share (in cents) | (1.80) | (1.21) | (0.78) | (0.06) | (0.22) |

**Details of Remuneration**

The remuneration for each key management personnel of the Economic Entity during the year was as follows:

| 2011 | Salary, Fees and Commission | Superannuation Contribution | Cash Bonus | Other (Back Pay) | Options | Total | Performance Related |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| **Key management personnel** | | | | | | | |
| Mr Rick Crabb | 27,500 | 2,475 | - | - | - | 29,975 | - |
| Mr Tom Dukovcic | 176,239 | 20,388 | 50,000 | - | 235,000 | 481,627 | - |
| Mr Rodney Dunn | 120,000 | 11,007 | - | - | 51,000 | 182,007 | - |
| Mr Peter Bradford | 33,000 | - | - | - | - | 33,000 | - |
| | 356,739 | 33,870 | 50,000 | - | 286,000 | 726,609 | - |

| 2010 | Salary, Fees and Commission | Superannuation Contribution | Cash Bonus | Other | Options | Total | Performance Related |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| **Key management personnel** | | | | | | | |
| Mr Rick Crabb | 30,000 | 5,460 | - | 30,667 | - | 66,127 | - |
| Mr Tom Dukovcic | 180,000 | 18,796 | - | 28,846 | - | 227,642 | - |
| Mr Rodney Dunn | 120,000 | 12,565 | - | 19,615 | - | 152,180 | - |
| Mr Peter Bradford | 30,000 | - | - | - | - | 30,000 | - |
| | **360,000** | **36,821** | **-** | **79,128** | **-** | **475,949** | **-** |

**Options issued as part of remuneration**

There were options issued to directors and key management personnel as part of their remuneration for the year ended 30 June 2011. Tom Dukovcic received 15,000,000 incentive options and Rodney Dunn received 3,000,000 options under the employee share option plan. Subsequent to 30 June, a drop in the share price has significantly reduced the value of these options.

**Employment Contracts of Directors and Other Key Management Personnel**

There are currently no employment contracts in place between the Company and Executive Directors.

**MEETINGS OF DIRECTORS**

During the financial year, 9 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

| | Board Meetings | |
|---|---|---|
| **Director** | **Number eligible to attend** | **Number attended** |
| Mr Rick Crabb | 9 | 9 |
| Mr Tom Dukovcic | 9 | 9 |
| Mr Peter Bradford | 9 | 8 |

**INDEMNIFYING OFFICERS OR AUDITOR**

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

- Indemnified or made any relevant agreement for indemnifying against a liability incurred as a director, officer or auditor, including costs and expenses in successfully defending legal proceedings; or
- Paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as a director, officer or auditor for the costs or expenses to defend legal proceedings.

**OPTIONS**

At the date of this report, the unissued ordinary shares of Ashburton Minerals Ltd under option are as follows:

| Number Under-Option | Date of Expiry | Exercise Price |
|---:|---|---|
| 1,875,500 | 17 September 2012 | $0.0400 |
| 10,500,000 | 21 April 2014 | $0.0725 |
| 5,000,000 | 21 April 2014 | $0.0870 |
| 5,000,000 | 21 April 2014 | $0.1015 |

**PARENT ENTITY FINANCIAL STATEMENTS**

On 28 June 2010, the Corporations Amendment (Corporate Reporting Reform) Act 2010 came into legislation after receiving royal assent. The accompanying Corporations Amendment Regulations 2010 (No. 6) were made on 29 June 2010. The Act has provided a degree of simplification for corporate reporting through the removal of the requirement to prepare parent entity financial statements. Some parent entity disclosures are still required by way of note, with a simplified parent statement of financial position being required as well as parent disclosures in relation to commitments amongst other parties. Refer to note 27 for details.

**CORPORATE GOVERNANCE**

In recognising the need for a high standard of corporate behaviour and accountability, the Directors of Ashburton Minerals Ltd support and have adhered to the principles of Corporate Governance. The Company's corporate governance statement is contained in the Corporate Governance section of the Financial Report.

**NON-AUDIT SERVICES**

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

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2011:

| | |
|---|---|
| Taxation Services | $11,860 |

**AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration for the year ended 30 June 2011 has been received and can be found on page 32 of the directors' report.

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

Tom Dukovcic

TOM DUKOVCIC
Managing Director

Dated this 30th day of September 2011

MOORE STEPHENS
ACCOUNTANTS & ADVISORS

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**AUDITOR'S INDEPENDENCE DECLARATION UNDER S307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS OF ASHBURTON MINERALS LIMITED**

As lead auditor for the audit of Ashburton Minerals Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Ashburton Minerals Limited during the year.

Moore Stephens

**Suan-Lee Tan**
**Partner**

**Moore Stephens**
**Chartered Accountants**

Signed at Perth this 30th day of September 2011.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED**
**30 JUNE 2011**

| | Note | Economic Entity 2011 $ | 2010 $ |
|---|---|---|---|
| **Profit/(Loss)** | | | |
| Revenue | 2 | 164,052 | 49,702 |
| Other income | 2 | 41,905 | 2,770,705 |
| Accounting Fees | | (39,176) | (95,551) |
| Corporate Costs | | (81,684) | (41,952) |
| Depreciation expense | | (26,238) | (28,041) |
| Employee benefit expense | | (697,239) | (331,373) |
| Exploration expenditure expensed | | (338,228) | (809,611) |
| Finance costs | | (17,763) | (26,542) |
| Occupancy Costs | | (78,470) | (114,243) |
| Public Relations | | (38,096) | (825) |
| Other expenses | | (349,861) | (571,575) |
| Profit/(Loss) before income tax | 3 | (1,460,798) | 800,694 |
| Income tax expense | 4 | 10,493 | (1,071,074) |
| Profit/(Loss) from continuing operations | | (1,450,305) | (270,380) |
| Profit/(Loss) attributable to members of the Parent Entity | | (1,450,305) | (270,380) |
| **Other Comprehensive Income/(Loss)** | | | |
| Foreign currency translation movements taken to FCTR | | (19,302) | (62,343) |
| **Total Comprehensive Income/(Loss) attributable to members of the parent entity** | | (1,469,607) | (332,723) |
| **Overall Operations** | | | |
| Basic Profit/(Loss) per share (cents per share) | 7 | (0.22) | (0.06) |
| **Continuing Operations** | | | |
| Basic Profit/(Loss) per share (cents per share) | 7 | (0.22) | (0.06) |

The Company's potential ordinary shares were not considered dilutive as the Company is in a loss position.

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AS AT**
**30 JUNE 2011**

| | Note | Economic Entity 2011 $ | 2010 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | **8** | 2,577,634 | 1,946,889 |
| Trade and other receivables | **9** | 112,450 | 65,335 |
| | | - | - |
| Other financial assets | **10** | - | - |
| **TOTAL CURRENT ASSETS** | | **2,690,084** | **2,012,224** |
| **NON-CURRENT ASSETS** | | | |
| Trade and other receivables | **9** | 18,810 | - |
| Other Financial assets | **10** | - | - |
| Property, plant and equipment | **11** | 21,545 | 38,581 |
| Exploration and evaluation assets | **12** | 5,321,999 | 2,373,508 |
| **TOTAL NON-CURRENT ASSETS** | | **5,362,354** | **2,412,088** |
| **TOTAL ASSETS** | | **8,052,438** | **4,424,312** |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | **13** | 123,501 | 153,512 |
| Interest bearing liability | **14** | 26,635 | 6,121 |
| Short-term Provisions | **15** | 23,077 | 23,077 |
| **TOTAL CURRENT LIABILITIES** | | **173,213** | **182,710** |
| **NON-CURRENT LIABILITIES** | | | |
| Long- term provision | **15** | 60,989 | - |
| Interest bearing liability | **14** | - | - |
| **TOTAL NON-CURRENT LIABILITIES** | | **60,989** | **-** |
| **TOTAL LIABILITIES** | | **234,202** | **182,710** |
| **NET ASSETS** | | **7,818,236** | **4,241,602** |
| EQUITY | | | |
| Issued capital | **16** | 33,386,783 | 28,714,042 |
| Reserves | **17** | 486,578 | 132,380 |
| Retained earnings/(Accumulated losses) | | (26,055,125) | (24,604,820) |
| **TOTAL EQUITY** | | **7,818,236** | **4,241,602** |

The accompanying notes form part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED
## 30 JUNE 2011

**Consolidated Entity**

| | Ordinary | Accumulated Losses | Option Reserve | Asset Realisation Reserve | Asset Revaluation Reserve | Foreign Currency Translation Reserve | Total |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| **Balance at 30 June 2009** | **27,671,184** | **(24,353,163)** | **149,729** | **32,095** | **-** | **12,900** | **3,512,745** |
| Gain/(Loss) attributable to members of Parent Entity | | **(270,380)** | | | | | **(270,380)** |
| Shares/options issued during the year | **1,053,500** | | | | | | **1,053,500** |
| Adjustments from translation of foreign entities | | | | | | (62,343) | (62,343) |
| Transaction costs | **(9,496)** | | | | | | **(9,496)** |
| Prior Year Adjustments | (1,146) | 18,722 | - | - | - | - | 17,577 |
| **Balance at 30 June 2010** | **28,714,042** | **(24,604,820)** | **149,729** | **32,095** | **0** | **(49,444)** | **4,241,602** |
| Gain/(Loss) attributable to members of Parent Entity | | **(1,450,305)** | | | | | **(1,450,305)** |
| Shares/options issued during the year | **4,765,240** | | 373,500 | | | | **5,138,740** |
| Adjustments from translation of foreign entities | | | | | | (19,302) | **(19,302)** |
| Transaction costs | **(92,499)** | | | | | | **(92,499)** |
| Prior Year Adjustments | - | - | - | - | - | - | - |
| **Balance at 30 June 2011** | **33,386,783** | **(26,055,125)** | **523,229** | **32,095** | **0** | **(68,746)** | **7,818,236** |

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOW**
**FOR YEAR ENDED**
**30 JUNE 2011**

| | Note | Economic Entity 2011 $ | 2010 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers | | (64,376) | 47,626 |
| Payments to suppliers and employees | | (1,325,232) | (951,040) |
| Interest received | | 164,052 | 49,702 |
| Taxation Paid | | 10,493 | (1,071,074) |
| Finance costs | | (17,762) | (62,705) |
| Net cash used in operating activities | **21(a)** | **(1,232,826)** | **(1,987,491)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Proceeds from sale of exploration assets | | - | 5,256,070 |
| Proceeds from sale of property, plant and equipment | | 40,356 | (19,438) |
| Purchase of property, plant and equipment | | (9,202) | - |
| Payments for exploration expenditure | | (2,783,491) | (1,467,959) |
| Net cash used in investing activities | | (2,752,337) | 3,768,673 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issue of shares | | 4,552,741 | 803,500 |
| Payment of share issue costs | | | (9,496) |
| Proceeds of borrowings | | 26,635 | - |
| Repayment of borrowings | | (6,121) | (459,887) |
| Loan to subsidiary | | | |
| Net cash provided by financing activities | | **4,573,255** | 334,116 |
| Net (decrease)/ increase in cash held | | **588,092** | 2,115,298 |
| Cash at beginning of financial year | | **1,946,889** | 137,143 |
| Effects of Exchange rates on cash holdings in foreign entities | | **42,653** | (305,552) |
| Cash at end of financial year | **8** | **2,577,634** | 1,946,889 |

The accompanying notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

Note 1: Statement of Significant Accounting Policies

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

The financial report covers Ashburton Minerals Ltd (the "Company") and its controlled entities (the "Group" or "Consolidated Entity" or "Economic Entity"). Ashburton Minerals Ltd is a listed public Company, incorporated and domiciled in Australia.

The financial report of the Group complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

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

**Basis of Preparation**

**Reporting Basis and Conventions**

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

**Accounting Policies**

a. **Principles of Consolidation**

A Controlled Entity is any Entity Ashburton Minerals Ltd has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 10 to the financial statements. All controlled entities have a June financial year-end.

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

Where controlled entities have entered or left the Economic Entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

b. **Income Tax**

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

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

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

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

c. **Property, Plant and Equipment**

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the Economic Entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

**Depreciation**

The depreciable amount of all fixed assets including capitalised lease assets is depreciated on a straight-line basis over their useful lives to the Economic Entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

d. **Exploration and Development Expenditure**

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

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

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

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.

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

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

e. **Financial Instruments**

**Recognition**

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

**Financial assets at fair value through profit and loss**

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the statement of comprehensive income in the period which they arise.

**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 stated at amortised cost using the effective interest rate method.

**Available-for-sale financial assets**

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

**Fair value**

Fair value is determined bas ed 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.

**Impairment**

At each reporting date, the Group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the consolidated statement of comprehensive income.

f. **Impairment of Assets**

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

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

g. **Foreign Currency Transactions and Balances**

**Functional and presentation currency**

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that Entity operates. The consolidated financial statements are presented in Australian dollars which is the Parent Entity's functional and presentation currency.

**Transaction and balances**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-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, except where deferred in equity as a qualifying cash flow or net investment hedge. Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the statement of comprehensive income.

**Group companies**

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

h. **Employee Benefits**

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

i. **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.

j. **Cash and Cash Equivalents**

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

k. **Revenue**

Revenue from the sale of goods is recognised upon delivery of goods to customers.

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

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

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

l. **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 Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

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

m. **Comparative Figures**

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

n. **Critical accounting estimates and judgements**

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting 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 Sources of estimation uncertainty**

The following key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Recoverability of exploration and evaluation expenditure.

The recoverability of the exploration and evaluation expenditure recognised as a non-current asset is dependent upon the successful development, or alternatively sale, of the respective tenements which comprise the assets.

o. **Going Concern**

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

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Company and the consolidated entity be unable to continue as going concerns.

p. New Accounting Standards for Application in Future Periods

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

AASB 9: Financial Instruments and AASB 2010–11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

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

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;

- Allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and

- reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:

  a. the objective of the entity's business model for managing the financial assets; and

  b. The characteristics of the contractual cash flows.

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

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

- AASB 2010–4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] (applicable for annual reporting periods commencing from 1 July 2010) and AASB 2010-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2011).

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

- AASB 2010–8: Amendments to Australian Accounting Standards — Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2011).

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

- AASB 2010–9: Amendments to Australian Accounting Standards — Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2011

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

- AASB 2010–10: Amendments to Australian Accounting Standards — Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2011).

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

- AASB 2010–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

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

- AASB 2010–13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2011).

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

- AASB 2010–14: Amendments to Australian Interpretation — Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

- AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2011).

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

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

**Note 2: Revenue**

| | Note | Economic Entity | |
|---|---|---|---|
| | | **2011** | **2010** |
| | | **$** | **$** |
| Operating activities | | | |
| interest received | | 164,052 | 49,702 |
| Total Revenue | | 164,052 | 49,702 |
| | | | |
| Non-operating activities | | | |
| gain/(loss) on disposal of property, plant & equipment | | 41,905 | - |
| gain/(loss) on disposal of exploration asset | | - | 2,723,079 |
| other revenue | | - | 47,626 |
| Other Income | | 41,905 | 2,770,705 |

**Note 3: Loss for the year**

| | | | |
|---|---|---|---|
| **(a)** | **Expenses** | | |
| | Corporate costs | 81,684 | 41,952 |
| | Occupancy costs | 78,470 | 114,243 |
| | Accounting fees | 39,176 | 95,551 |
| | | | |
| **(b)** | **Significant revenue and expenses** | | |
| | The following significant revenue and expense items are relevant in explaining the financial performance: | | |
| | Exploration expenditure written off | 338,228 | 809,611 |

**Note 4: Income Tax Expense**

| | | Economic Entity 2011 $ | 2010 $ |
|---|---|---|---|
| (a) | The components of tax expense comprise: | | |
| | Current tax | (10,493) | 1,071,074 |
| | Deferred tax | - | - |
| | Income tax expense reported in statement of comprehensive income | (10,493) | 1,071,074 |
| (b) | The prima facie tax expense/(benefit) on profit/( loss) from ordinary activities before income tax is reconciled to the income tax as follows: | | |
| | Prima facie tax expense/(benefit) on profit/(loss) from ordinary activities before income tax at 30% (2010: 30%) | (438,239) | 240,208 |
| | Add: | | |
| | Tax effect of: | | |
| | Revenue losses not recognised | 322,043 | 194,974 |
| | Other deferred tax balances not recognised | | 22,648 |
| | Share based payments | 98,550 | - |
| | Other non-allowable items | 19,137 | 720,230 |
| | | 1,491 | 1,178,060 |
| | Less: | | |
| | Tax effect of: | | |
| | Other deferred tax balances not recognised | 11,024 | |
| | Other non-assessable items | 960 | |
| | Other allowable items | - | 106,986 |
| | Income tax expense | (10,493) | 1,071,074 |
| (c) | The deferred tax recognised at 30 June relates to the following: | | |
| | Deferred Tax Liabilities: | | |
| | Exploration expenditure | (960,860) | (782,673) |
| | Deferred Tax Assets: | | |
| | Carry forward revenue losses | 960,860 | 782,673 |
| | Net deferred tax | - | - |
| (d) | Unrecognised deferred tax assets: | | |
| | Carry forward revenue losses | 3,264,625 | 2,910,099 |
| | Carry forward capital losses | 1,332,477 | 1,332,477 |
| | Capital raising costs | 42,870 | 47,306 |
| | Unlisted investments | 600 | 600 |
| | Provisions and accruals | 29,468 | 9,466 |
| | | 4,670,040 | 4,299,948 |

The tax benefits of the above Deferred Tax Assets will only be obtained if:

a. the Company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;

b. the Company continues to comply with the conditions for deductibility imposed by law; and

c. no changes in income tax legislation adversely affect the Company in utilising the benefits.

The comparative year disclosures have been updated to be consistent with the 2011 presentation. There has been no change to the income tax expense.

**Note 5: Key Management Personnel Compensation**

**(a) Directors**

The following persons were Directors of Ashburton Minerals Ltd during the financial year:

- Mr Rick Crabb – Non-Executive Chairman
- Mr Tom Dukovcic – Managing Director
- Mr Peter Bradford – Non-Executive Director

**(b) Other key management personnel**

Mr Rodney Dunn – Company Secretary

**(c) Key management personnel compensation**

| | Economic Entity 2011 $ | 2010 $ |
|---|---|---|
| Short-term employee benefits | 406,739 | 360,000 |
| Post-employment benefits | 33,870 | 36,821 |
| Back Pay for prior year | - | 79,128 |
| Share-based payments | 286,000 | - |
| | 726,609 | 475,949 |

The Company has transferred the detailed remuneration disclosures to the Directors' report in accordance with the Corporations Amendment Regulations 2006 (No. 4)

**(d) Equity instrument disclosures relating to key management personnel**

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the Directors' report on pages 5 -7.

(ii) Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each Director and key management personnel of Ashburton Minerals Ltd, including their personally related parties, are set out below:

| 2011 | Balance at the start of the year | Granted during the year as Compensation | Exercised during the year | Other changes during the year | Balance at the end of the year | Vested and exercisable at the end of the year |
|---|---|---|---|---|---|---|
| Mr Rick Crabb | - | - | - | - | - | - |
| Mr Tom Dukovcic | 2,000,000 | 15,000,000 | - | (2,000,000) | 15,000,000 | 15,000,000 |
| Mr Peter Bradford | | - | - | - | - | - |
| Mr Rodney Dunn | 1,500,000 | 3,000,000 | - | (1,500,000) | 3,000,000 | 3,000,000 |
| **Total** | 3,500,000 | 18,000,000 | - | (3,500,000) | 18,000,000 | 18,000,000 |

| 2010 | Balance at the start of the year | Granted during the year as Compensation | Exercised during the year | Other changes during the year | Balance at the end of the year | Vested and exercisable at the end of the year |
|---|---|---|---|---|---|---|
| Mr Rick Crabb | 28,605,742 | - | (25,304,070) | (3,301,672) | - | - |
| Mr Tom Dukovcic | 3,309,971 | - | (245,000) | (1,064,971) | 2,000,000 | 2,000,000 |
| Mr Rodney Dunn | 8,157,107 | - | - | (6,657,107) | 1,500,000 | 1,500,000 |
| Mr Peter Bradford | 16,100,000 | - | (8,100,000) | (8,000,000) | - | - |
| **Total** | 56,172,820 | - | (33,649,070) | (19,023,750) | 3,500,000 | 3,500,000 |

No options were vested or unexercisable for the year ending 30 June 2010.

(iii) Share holdings

The numbers of shares in the Company held during the financial year by each Director and key management personnel of Ashburton Minerals Ltd, including their personally related parties, are set out below:

| 2011 | Balance at the start of the year | Granted during the year as Compensation | Received during the year on the exercise of options | Other changes during the year | Balance at the end of the year |
|---|---|---|---|---|---|
| Mr Rick Crabb | 86,520,975 | - | - | 15,944,201 | 102,465,176 |
| Mr Tom Dukovcic | 13,625,000 | - | - | (6,900,000)* | 6,725,000 |
| Mr Peter Bradford | 32,500,000 | - | - | 12,200,000 | 44,700,000 |
| Mr Rodney Dunn | 12,098,000 | - | - | (3,309,092) | 8,788,908 |
| **Total** | 144,743,975 | - | - | 17,935,109 | 162,679,084 |

*Mr Dukovcic increased his direct holdings by 1,100,000 shares through participation in the Entitlements Issue and the off-market acquisition of 4,000,000 shares from Bestgold Investments Pty Ltd. His indirect holdings reduced by 12,000,000 shares as Bestgold Investments Pty Ltd no longer holds any shares. This results in the net movement of (6,900,000) shares.

| 2010 | Balance at the start of the year | Granted during the year as Compensation | Received during the year on the exercise of options | Other changes during the year | Balance at the end of the year |
|---|---|---|---|---|---|
| Mr Rick Crabb | 61,216,276 | - | - | 25,304,699 | 86,520,975 |
| Mr Tom Dukovcic | 5,180,000 | - | - | 8,445,000 | 13,625,000 |
| Mr Peter Bradford | 24,400,000 | - | - | 8,100,000 | 32,500,000 |
| Mr Rodney Dunn | 16,432,117 | - | - | (4,334,117) | 12,098,000 |
| **Total** | 107,228,393 | - | - | 37,515,582 | 144,743,975 |

**Note 6: Auditors' Remuneration**

| | Economic Entity 2011 $ | 2010 $ |
|---|---|---|
| Remuneration of the auditor of the Parent Entity for: | | |
| auditing or reviewing the financial report | 25,487 | 25,224 |
| taxation and other services | 11,860 | 14,800 |
| | 37,347 | 40,024 |

**Note 7: Earnings per Share**

| | | Economic Entity 2011 $ | 2010 $ |
|---|---|---|---|
| (a) | Reconciliation of Earnings to Profit or Loss | | |
| | Loss | (1,450,305) | (270,380) |
| | Earnings used to calculate basic EPS | (1,450,305) | (270,380) |
| (b) | Reconciliation of Earnings to Profit or Loss from Continuing Operations | | |
| | Loss from continuing operations | (1,450,305) | (270,380) |
| | Earnings used to calculate basic EPS from continuing operations | (1,450,304) | (270,380) |
| | | **No.** | **No.** |
| (c) | Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS | 646,651,860 | 466,280,131 |

Diluted EPS not disclosed as potential ordinary shares are not dilutive

**Note 8: Cash and Cash Equivalents**

| | Economic Entity 2011 $ | 2010 $ |
|---|---|---|
| Cash at bank and in hand | 2,577,634 | 1,946,889 |
| | 2,577,634 | 1,946,889 |
| Reconciliation of cash<br>Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:- | | |
| Cash and cash equivalents | 2,577,634 | 1,946,889 |
| | 2,577,634 | 1,946,889 |

**Note 9: Trade and Other Receivables**

| | Economic Entity | |
|---|---|---|
| | **2011** | **2010** |
| | **$** | **$** |
| **Current** | | |
| Other receivables: | | |
| - Debtors | 41,288 | - |
| - Other receivables | 9,453 | 4,711 |
| - Goods and services tax | 61,709 | 60,624 |
| | 112,450 | 65,335 |
| | | |
| N**on-Current** | | |
| - Amounts receivable from: | | |
| - wholly-owned entities | - | - |
| - other | 18,810 | - |
| | 18,810 | - |

**Note 10: Controlled Entities**

**(a) Controlled Entities Consolidated**

| | **Country of Incorporation** | **Percentage Owned (%)*** | |
|---|---|---|---|
| | | 2011 | 2010 |
| Parent Entity: | | | |
| Ashburton Minerals Ltd | Australia | - | - |
| | | | |
| Ultimate Parent Entity: | | | |
| Ashburton Minerals Ltd | Australia | - | - |
| | | | |
| Subsidiaries of Ashburton Minerals Ltd: | | | |
| | | | |
| Ashburton Gold Mines NL | Australia | 100 | 100 |
| Trans Pacific Gold Pty Ltd | Australia | 100 | 100 |
| Trans Pacific Gold Mineracao Ltda | Brazil | 100 | 100 |
| Transdrill Pty Ltd | Australia | 100 | 100 |

* Percentage of voting power is in proportion to ownership

**Note 11: Property, Plant and Equipment**

| | Economic Entity 2011 $ | Economic Entity 2010 $ |
|---|---|---|
| **PLANT AND EQUIPMENT** | | |
| Plant and equipment: | | |
| At cost | 216,468 | 208,270 |
| Accumulated depreciation | 194,923 | 169,689 |
| **Total Plant and equipment** | **21,545** | **38,581** |
| Total Property, Plant and Equipment | 21,545 | 38,581 |

**(a) Movements in Carrying Amounts**

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

| | Economic Entity 2011 $ | Economic Entity 2010 $ |
|---|---|---|
| Balance at the beginning of year | 38,581 | 47,183 |
| Additions | 9,202 | 19,438 |
| FX Movement | - | - |
| Adjustments | - | 120,081 |
| Disposals | - | (120,080) |
| Depreciation expense | (26,238) | (28,041) |
| Carrying amount at the end of year | 21,545 | 38,581 |

**Note 12: Exploration and Evaluation Assets**

| | Economic Entity 2011 $ | Economic Entity 2010 $ |
|---|---|---|
| **Exploration and evaluation expenditure** | | |
| Exploration expenditure capitalised | | |
| exploration and evaluation phases | 5,321,999 | 2,373,508 |

The recoverability of the carrying amount of exploration assets is dependent on the successful development and commercial exploitation or sale of the respective mining permits. Amortisation of the costs carried forward for the development phase is not being charged pending the commencement of production.

**Reconciliation of movements during the year**

| | Economic Entity 2011 $ | 2010 $ |
|---|---|---|
| Balance at the beginning of year | 2,373,508 | 1,593,282 |
| exploration and evaluation costs capitalised | 3,286,719 | 2,078,877 |
| exploration and evaluation costs trf to Held for Sale | - | (489,040) |
| Asset revaluation Writeoff | - | - |
| impairment writedown | - | - |
| exploration and evaluation costs written off | (338,228) | (809,611) |
| Closing carrying value at end of year | 5,321,999 | 2,373,508 |

**Note 13: Trade and Other Payables**

| | Economic Entity 2011 $ | 2010 $ |
|---|---|---|
| **CURRENT** | | |
| Trade payables | 80,556 | 112,548 |
| Sundry payables and accrued expenses | 42,945 | 40,964 |
| | 123,501 | 153,512 |

**Note 14: Interest bearing liability**

| | Economic Entity 2011 $ | 2010 $ |
|---|---|---|
| **CURRENT** | | |
| Visa Card | - | 6,121 |
| Loan | 26,635 | - |
| | 26,635 | 6,121 |
| **NON-CURRENT** | | |
| Hire purchase liability | - | - |

**Note 15: Provisions**

| **Employee Provisions** | Economic Entity 2011 $ | 2010 $ |
|---|---|---|
| **Balance at the beginning of year** | 23,077 | 13,846 |
| Additional provisions | 84,066 | 9,231 |
| Amounts used | (23,077) | - |
| Carrying amount at the end of year | 84,066 | 23,077 |

**Note 16: Issued Capital**

| | Economic Entity | |
|---|---|---|
| | **2011** **$** | **2010** **$** |
| 735,685,043 (2010: 501,548,034) fully paid ordinary shares | 35,014,714 | 30,249,501 |
| Share Issue Costs | (1,627,931) | (1,535,459) |
| | 33,386,783 | 28,714,042 |

| Ordinary Shares | | |
|---|---|---|
| | **No.** | **No.** |
| At the beginning of reporting period | 501,548,034 | 414,096,412 |
| Shares issued during year | 234,137,009 | 87,451,622 |
| At reporting date | 735,685,043 | 501,548,034 |

- On 20 September 2010, the Company issued 7,500,000 ordinary shares at an issue price of 1.6 cents.
- On 30 November 2010, the Company issued 75,000,000 ordinary shares at an issue price of 2 cents.
- On 28 January 2011, the Company issued 120,055,436 ordinary shares at an issue price of 2 cents.
- On 11 February 2011, the Company issued 21,881,573 ordinary shares at an issue price of 2 cents.
- On 21 April 2011, the Company issued 4,075,000 ordinary shares at an issue price of 2 cents.
- On 19 April 2011, the Company issued 1,000,000 ordinary shares upon the conversion of unlisted options at 4 cents per share.
- On 29 April 2011, the Company issued 3,712,500 ordinary shares upon the conversion of unlisted options at 4 cents per share.
- On 3 May 2011, the Company issued 912,500 ordinary shares upon the conversion of unlisted options at 4 cents per share.

**Note 17: Reserves**

| | Economic Entity | |
|---|---|---|
| | **2011** **$** | **2010** **$** |
| (a) Share Option Reserve | | |
| (i) The option reserve records items recognised as costs of acquisition of exploration projects and subsidiaries | 386,096 | 12,596 |
| (ii)The share options reserve records distributions of options. | 137,133 | 137,133 |
| b) Asset Revaluation Reserve The asset revaluation reserve records revaluations of non-current assets. | - | - |
| c) Asset Realisation Reserve The asset realisation reserve records realised gains on sale of non-current assets. | 32,095 | 32,095 |
| (d) Foreign Currency Translation Reserve The foreign currency translation reserve records gains or losses on translation of foreign entities | (68,746) | (49,444) |
| | 486,578 | 132,380 |

**Note 18: Contingent Liabilities and Contingent Assets**

The Directors are not aware of any contingent liabilities or contingent assets as at 30 June 2011.

**Note 19 Commitments**

**Operating lease commitments**

| | Economic Entity | |
|---|---|---|
| | **2011** | **2010** |
| | **$** | **$** |
| Payable – minimum lease payments: | | |
| not later than 12 months | 41,800 | 48,812 |
| between 12 months and 5 years | 17,417 | - |
| greater than 5 years | - | - |

**Exploration lease commitments**

In order to maintain current rights of tenure to mining tenements, the Company has the following discretionary exploration expenditure requirements up until expiry of leases. These obligations, which are subject to renegotiation upon expiry of the leases, are not provided for in the financial statements and are payable:

| | Economic Entity | |
|---|---|---|
| | **2011** | **2010** |
| | **$** | **$** |
| not later than 12 months | 667,500 | 463,500 |
| between 12 months and 5 years | - | - |
| greater than 5 years | - | - |

**Note 20: Segment Reporting**

The Consolidated Entity or Group operates in the mineral exploration industry in Australia, Brazil and Indonesia. For management purposes, the Group is organized into one main operating segment which involves the exploration of minerals in these regions. All of the Group's activities are interrelated and discrete financial information is reported to the Board (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

**Assets by geographical region**

The location of segment assets is disclosed below by geographical location of the assets:

| | 2011<br>$ | 2010<br>$ |
|---|---|---|
| Australia | 4,862,841 | 3,513,843 |
| Brazil | 833,476 | 910,469 |
| Indonesia | 2,356,121 | - |
| **Total Assets** | 8,052,438 | 4,424,312 |

**Revenue by geographical region**

| | 2011<br>$ | 2010<br>$ |
|---|---|---|
| Australia | 205,957 | 85,413 |
| Brazil | - | - |
| Indonesia | - | 2,734,994 |
| **Total Revenue** | 205,957 | 2,820,407 |

**Note 21: Cash Flow Information**

| | 2011<br>$ | 2010<br>$ |
|---|---|---|
| **a) Reconciliation of Cash Flow from Operations with Profit/(Loss) after Income Tax** | | |
| Gain/(Loss) after income tax | (1,450,305) | (270,380) |
| Non-cash flows in profit | | |
| Depreciation | 26,238 | 28,041 |
| Exploration expenditure written-off | - | 811,060 |
| Financing costs | - | (36,163) |
| Exploration expenditure expensed | - | (1,449) |
| Assets written off | - | 11,731 |
| (Gain)/loss on disposal of property, plant & equipment | (40,358) | (2,734,810) |
| (Increase)/decrease in trade & term debtors | (65,925) | (5,464) |
| Increase/(decrease) in trade payables and accruals and provisions | (30,011) | (54,792) |
| Share based payment expense | 325,800 | - |
| FX movement | (59,256) | 264,734 |
| Movement in provisions | 60,989 | - |
| Cashflow from operations | (1,232,826) | (1,987,491) |

**Note 22 Share-based Payments**

The following share-based payment arrangements existed at 30 June 2011:

On 11 December 2006, 3,500,000 share options were granted to directors to accept ordinary shares at an exercise price of 8 cents each. The options expired on 1 October 2011.

On 09 July 2008, 2,100,000 share options were granted to employees under the Ashburton Minerals Ltd Employee Share Option Plan. The options expired on 09 July 2011.

On 17 September 2010, 7,500,000 share options were granted to Yea as part of the option fee to acquire the Yea Gold Project. The options expire on 17 September 2012 at an exercise price of 4 cents each. The options hold no voting or dividend rights and are not transferable. At balance date, 5,625,000 options had been exercised.

On 21 April 2011, 5,000,000 share options were granted to Director Tom Dukovcic as part an incentive plan as approved by shareholders at a General Meeting on 19 April 2011. The options expire on 21 April 2014 at an exercise price of 7.25 cents each. The options hold no voting or dividend rights and are not transferable. At balance date, no share option has been exercised.

On 21 April 2011, 5,000,000 share options were granted to Director Tom Dukovcic as part an incentive plan as approved by shareholders at a General Meeting on 19 April 2011. The options expire on 21 April 2014 at an exercise price of 8.70 cents each. The options hold no voting or dividend rights and are not transferable. At balance date, no share option has been exercised.

On 21 April 2011, 5,000,000 share options were granted to Director Tom Dukovcic as part an incentive plan as approved by shareholders at a General Meeting on 19 April 2011. The options expire on 21 April 2014 at an exercise price of 10.15 cents each. The options hold no voting or dividend rights and are not transferable. At balance date, no share option has been exercised.

On 15 June 2011, 5,500,000 share options were granted to employees under the Ashburton Minerals Ltd Employee Share Option Plan. The options are exercisable by 21 April 2014 at an exercise price of 7.25 cents each. The options hold no voting or dividend rights and are not transferable. At balance date, no share option has been exercised.

| | Economic Entity | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| | Number of Options | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| | | $ | | $ |
| Outstanding at beginning of year | 4,500,000 | 0.0756 | 5,650,000 | 0.07 |
| Granted | 28,000,000 | 0.0716 | 2,100,000 | 0.07 |
| Expired/ Exercised | (10,125,000) | 0.0756 | (3,250,000) | 0.07 |
| Outstanding at year end | 22,375,500 | 0.0795 | 4,500,000 | 0.07 |
| Exercisable at year end | 22,375,500 | 0.0795 | 4,500,000 | 0.07 |

The (weighted average) fair value of the 28,000,000 options granted during the year ended 30 June 2011 was 1.33 cents each.

The value of the share options was calculated by using a Black & Scholes option pricing model applying the following inputs:

| | 7.5million options | 5 million options | 5 million options | 5 million options | 5.5 million options |
|---|---|---|---|---|---|
| | | | | | |
| Exercise Price | $ 0.04 | $ 0.0725 | $ 0.078 | $ 0.1015 | $ 0.0725 |
| Life of option (years) | 2 | 3 | 3 | 3 | 3 |
| Expected share price volatility | 111% | 101% | 101% | 101% | 101% |
| Risk free rate of return | 4.9% | 4.66% | 4.66% | 4.66% | 4.66% |

Included in the employee benefits expense in the statement of comprehensive income for the year ended 30 June 2011 is $328,500 and relates, in full, to those equity-settled share-based payment transactions.

**Note 23 Events After the Balance Sheet Date**

On 29 July 2011, the Company announced the commencement of a regional aircore geochemical drilling programme at Mt Webb, and the completion of a helicopter-borne regional reconnaissance survey at the Capricorn JV.

On 23 August 2011, the Company announced the arrival of the second drilling rig at Obi, which was brought in to accelerate drilling progress.

On 9 September 2011, the Company announced the results from the first batch of core samples obtained from the Obi gold project, comprising 502 samples from holes OAD 04, 05 and 06. The results showed that high-grade gold was restricted to a single quartz vein, which was being exploited by the artisanal miners. The altered host rocks were unmineralised, thus downgrading the likelihood of a large bulk tonnage economic gold resource. The high-grade vein returned an intercept of 6.9 metres @ 7.18 g/t, which concurred with historical BHP drilling. This vein has a sub-horizontal attitude and occurs near the surface. In each case, the vein was either wholly or partly mined out by the artisanal miners.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Economic Entity, the results of those operations, or the state of affairs of the Economic Entity in future financial years.

**Note 24 Related Party Transactions**

The names of each person holding the position of Director of Ashburton Minerals Ltd since the beginning of the financial year are:

- Mr Rick Crabb
- Mr Tom Dukovcic
- Mr Peter Bradford

Apart from the Directors' remuneration disclosed in the Directors' Report, no Directors have entered into a contract with the Economic Entity since the end of the previous financial year and there are no other material contracts involving Directors' interests existing at year end.

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

| | **Economic Entity** | |
|---|---|---|
| | **2011 $** | **2010 $** |
| Transactions with related parties: | | |
| **Key Management Personnel** | | |
| Repayment of loan to Westessa Holdings Pty Ltd, a company in which Mr Crabb is a director. | - | 100,000 |
| Repayment of loan to Rick Crabb | - | 300,000 |

**Note 25 Financial Risk Management**

**Overview**

This note presents information about the Economic Entity's exposure to credit, liquidity and market risks, their objectives, policies and processes for measuring risk, and management of capital. The Economic Entity does not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The Economic Entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Economic Entity through regular reviews of the risks.

**Significant Accounting Policies**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

**Net Fair Value**

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

**Credit risk**

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted the policy of only dealing with creditworthy counter-parties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated entity measures credit risk on a fair value basis. The consolidated entity does not have any significant credit risk exposure to any single counter-party.

*Cash and cash equivalents*

The Economic Entity limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating.

*Trade and other equivalents*

As the Economic Entity operates primarily in exploration activities, it does not have trade receivable and therefore is not exposed to credit risk in relation to trade receivables.

The Economic Entity has established an allowance for impairment that represents their estimate of incurred losses in respect of other receivables (mainly relates to staff advances and security bonds) and investments. The management does not expect any counterparty to fail to meet its obligations.

*Exposure to credit risk*

The carrying amount of the Economic Entity's financial assets represents the maximum credit exposure. The Economic Entity's maximum exposure to credit risk at the reporting date was:

| | Economic Entity | |
|---|---|---|
| | **2011 $** | **2010 $** |
| Loans and receivables | 112,450 | 65,335 |
| Investments | - | - |
| Cash and cash equivalents | 2,577,634 | 1,946,889 |
| | 2,690,084 | 2,012,224 |

*Impairment losses*

None of the Economic Entity's other receivables are past due (2010: nil)

**Liquidity risk**

Liquidity risk is the risk that the Economic Entity will not be able to meet its financial obligations as they fall due. The Economic Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Economic Entity's reputation.

The Economic Entity manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows. The Economic Entity does not have any external borrowings.

The Company does not anticipate a need to raise additional capital in the next 12 months as it is expected to be able to meet forecast operational, exploration and development activities from current cash. Nevertheless, the decision on how and when the Company will raise future capital will depend on the market conditions existing at that time.

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

| | Economic Entity | |
|---|---|---|
| | 2011<br>$ | 2010<br>$ |
| Less than 6 months | 150,136 | 182,710 |
| 6 months to 1 year | - | - |
| 1 to 5 years | - | - |
| Over 5 years | - | - |
| | 150,136 | 182,710 |

**Market Risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Economic Entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

**Currency Risk**

The Economic Entity is exposed to currency risk on investments, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Economic Entity entities, which is primarily the Australian Dollar (AUD). The currency in which these transactions primarily are dominated is : Indonesian rupiah (IDR).

The Economic Entity has not entered into any derivative financial instruments to hedge such transactions.

The Economic Entity's investments in its subsidiaries are not hedged as those currency positions are considered to be long term in nature.

*Exposure to Currency Risk*

The Economic Entity's exposure to foreign currency risk at balance date based on notional amounts was as follows:

| | Economic Entity | |
|---|---|---|
| | 2011<br>$ | 2010<br>$ |
| Cash | - | 1,106,878 |
| Trade and other receivables | - | 21,875 |
| Trade payables | - | (206,132) |
| Gross balance sheet exposure | - | 922,621 |

**Commodity Price Risk**

The Economic Entity is still operating primarily in the exploration and evaluation phase and accordingly the Group's financial assets and liabilities are not yet subject to commodity price risk.

**Capital Management**

The Economic Entity's objectives when managing capital are to safeguard the Economic Entity's ability to continue as a going concern and to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt. The Economic Entity's focus has been to raise sufficient funds through equity to fund exploration and evaluation activities.

There were no changes in the Economic Entity's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

**Interest rate risk**

The Economic Entity is exposed to interest rate risk (primarily on its cash and cash equivalents), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The Economic Entity does not use derivatives to mitigate these exposures.

The Economic Entity adopts a policy of ensuring that as far as possible it maintains excess cash and cash equivalents in higher interest bearing cash management account.

*Profile*

At the reporting date the interest rate profile of the Economic Entity's interest-bearing financial instruments was:

| | Weighted Average Effective Interest Rate | | Floating Interest Rate $ | | Fixed Interest rate maturing 1 to 5 Years $ | | Non-interest Bearing $ | | Total $ | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Economic Entity** | **2011** | **2010** | **2011** | **2010** | **2011** | **2010** | **2011** | **2010** | **2011** | **2010** |
| **Financial Assets:** | | | | | | | | | | |
| Cash | 4.66% | 4.50% | 2,577, 634 | 1,946,889 | - | - | - | - | 2,577,634 | 1,946,889 |
| Receivables | | | - | - | - | - | 112,450 | 65,335 | 112,450 | 65,335 |
| Investments | | | - | - | - | - | - | - | - | - |
| **Total Financial Assets** | | | 2,577,634 | 1,946,889 | 0 | 0 | 112,450 | 65,335 | 2,690,084 | 2,012,224 |
| **Financial Liabilities:** | | | | | | | | | | |
| Trade and sundry creditors | | | - | - | - | - | 150,136 | 182,710 | 150,136 | 182,710 |
| Interest bearing liabilities | | | - | - | - | - | - | - | - | - |
| **Total Financial Liabilities** | | | 0 | 0 | 0 | 0 | 150,136 | 182,710 | 150,136 | 182,710 |

(i) Net Fair Values

The net fair values of:-

- Unlisted investments where there is no organised financial market the net fair value has been based on a reasonable estimation of the underlying net assets or discounted cashflows of the investment.
- Other assets and liabilities approximate their carrying value.

No financial assets and liabilities are readily traded.

*Cash flow sensitivity analysis for variable rate instruments*
A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

| | Economic Entity | |
|---|---|---|
| | 2011 $ | 2010 $ |
| 30 June 2011 | | |
| Variable rate instruments | 25,776 | 25,776 |
| | | |
| 30 June 2010 | | |
| Variable rate instruments | 4,545 | 4,545 |

A decrease of 100 basis points in interest rates would have had an equal but opposite effect on equity and profit or loss by the amounts shown above, on the basis that all other variables remain constant.

**Note 26 Company Details**

The registered office and principal place of business of the Company is:

Level 1, 254 Railway Parade
West Leederville WA 6007
Tel: (08) 9363 7800
Fax: (08) 9363 7801

**Note 27 Parent entity financial information**

| | Parent Entity | |
|---|---|---|
| | 2011 $ | 2010 $ |
| **(a) summary of financial information** | | |
| **Assets** | | |
| Current assets | 1,970,522 | 879,201 |
| Total assets | 5,173,839 | 1,036,181 |
| **Liabilities** | | |
| Current liabilities | 114,627 | 146,513 |
| Total liabilities | 198,693 | 146,513 |
| **Shareholders' Equity** | | |
| Issued capital | 33,386,783 | 28,714,042 |
| Reserves | 555,324 | 181,824 |
| Accumulated Losses | (28,966,961) | (28,006,198) |
| | 4,975,146 | 889,669 |
| **Profit/(loss) for the year** | (959,215) | 317,755 |
| **Total comprehensive income** | (959,215) | 317,755 |

**(b) Contractual commitments for the acquisition of property, plant and equipment**

As at 30 June 2011, the parent entity has no contractual commitments for the acquisition of property, plant or equipment.

**(c) Guarantees and contingent liabilities**

As at 30 June 2011, the parent entity has no guarantees or contingent liabilities.

# DIRECTORS' DECLARATION

**DIRECTORS' DECLARATION**

In the opinion of the Directors of Ashburton Minerals Ltd (the "Company"):

1. The financial statements and notes and the remuneration disclosures that are contained in the Directors' Report, are in accordance with the *Corporations Act 2001*, including:

    a. complying with Australian Accounting Standards and the Corporations Regulations 2001; and

    b. giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date.

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

3. The Managing Director has declared that:

    (a) The financial records of the Company for the financial year 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.

4. Note 1 confirms that the financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

TOM DUKOVCIC
Managing Director

Dated this 30th day of September 2011

MOORE STEPHENS
ACCOUNTANTS & ADVISORS

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Perth WA 6000

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASHBURTON MINERALS LIMITED**

**Report on the Financial Report**

We have audited the accompanying financial report of Ashburton Minerals Limited (the company) and Ashburton Minerals Limited and Controlled Entities (the consolidated entity), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration 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 that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, 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.

# INDEPENDENT AUDIT REPORT TO THE MEMBERS

**Independence**

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Ashburton Minerals Limited, would be in the same terms if provided to the directors as at the date of this auditor's report.

**Auditor's Opinion**

In our opinion:

a. the financial report of Ashburton Minerals Limited and Ashburton Minerals Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the company and consolidated entity's financial position as at 30 June 2011 and of their performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**Material Uncertainty Regarding Recoverability of Capitalised Exploration Costs**

Without qualification to the opinion expressed above, attention is drawn to the following matter:

As referred to in Note 1 of the financial statements, the recoverability of the Group's carrying value of capitalised exploration costs ($5,321,999) is dependent on the successful commercial exploitation of the assets and/or sale of the assets to generate profits at amounts in excess of the book values. In the event that the Group is not successful in commercial exploitation and/or sale of the assets, the realisable values of the consolidated entity's assets may be significantly less than their current carrying values.

**Report on the Remuneration Report**

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

**Auditor's Opinion**

In our opinion the remuneration report of Ashburton Minerals Limited for the year ended 30 June 2011 complies with s 300A of the .

Moore Stephens

**Suan-Lee Tan**
**Partner**

**Moore Stephens**
**Chartered Accountants**

Signed at Perth this 30th day of September 2011.

## CORPORATE GOVERNANCE STATEMENT

The Company has considered and set up a framework for embracing the ASX Principles of Good Corporate Governance and Best Practice Recommendations ("Recommendations"). The Company has followed each of the Recommendations where the Board has considered the practices appropriate, taking into account factors such as size of the Company and the Board, the resources available to the Company and the activities of the Company. Where, after due consideration, the Company's corporate governance policies depart from the Recommendations, the Board has outlined the nature of, and reason for, the adoption of its own practice.

Copies of the Company's corporate governance policies are available on the Company's website at www.ashburton-minerals.com.au

The Board sets out below its "if not why not" report in relation to those matters of corporate governance where the Company's practices depart from the Recommendations. As the Company's activities develop in size, nature and scope, further consideration will be given by the Board to implementation of additional corporate governance structures.

In relation to the independence of the Chairman, Mr Rick Crabb, the Board has resolved that notwithstanding his substantial shareholding he is regarded to be an independent director as he has consistently demonstrated his capability to make decisions and take actions that are designed to be in the best interests of the Company. The Board further noted that Mr Crabb considers himself to be capable of bringing independent judgment to the Board.

| | **Recommendation** | **Ashburton Minerals Ltd current practice** |
|---|---|---|
| 1.1 | Formalise and disclose the functions reserved to the Board and those delegated to management. | Satisfied, available on the Company website. |
| 2.1 | A majority of the Board should be independent directors. | Satisfied. There are two independent non-executive directors on the 3 person Board. |
| 2.2 | The chairperson should be an independent director. | Satisfied. The chairman of the Board is Mr Rick Crabb who is considered independent. |
| 2.3 | The roles of the chairperson and chief executive officer should not be exercised by the same individual. | Satisfied, Mr Tom Dukovcic is the Chief Executive Officer. |
| 2.4 | The Board should establish a nomination committee. | Not satisfied. The Board considers that given the current size of the Board, this function is efficiently achieved with full Board participation. Accordingly, the Board has resolved not to establish a nomination committee at this stage. |
| 2.5 | Annual Report requirements. | Satisfied. |
| 3.1 | Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:<br>(a) the practices necessary to maintain confidence in the company's integrity; and<br>(b) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. | Satisfied, available on the Company's website. |
| 3.2 | Establish and disclose a policy on diversity | Satisfied. Available on Company website. |
| 3.3 | Report and disclose 3.1 and 3.2. | Satisfied. |

| | | |
|---|---|---|
| 4.1 | Require the CEO (or equivalent) and the CFO (or equivalent) to state in writing to the Board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards | Satisfied. |
| 4.2 | The Board should establish an audit committee. | Satisfied. An audit committee has been established. |
| 4.3 | Structure the audit committee so that it consists of:<br>(a) only non-executive directors;<br>(b) a majority of independent directors;<br>(c) an independent chairperson, who is not chairperson of the Board; and<br>(d) at least three members. | Not satisfied. The role of the audit committee is currently being undertaken by two independent non-executive directors. The Company is currently not of a size to justify having three independent non-executive directors. |
| 4.4 | The audit committee should have a formal charter. | Satisfied. |
| 4.5 | Provide the information indicated in Guide to Reporting on Principle 4. | Satisfied. |
| 5.1 | Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance. | Satisfied. Continuous disclosure policy is available on the Company website. |
| 5.2 | Post 5.1 on website. | Satisfied. Refer 5.1 |
| 6.1 | Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings. | Satisfied. Communications with shareholders policy is available on the Company website. |
| 6.2 | Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. | Satisfied. |
| 7.1 | The Board or appropriate Board committee should establish policies on risk oversight and management. | Satisfied. Risk management program is available on the Company website. |
| 7.2 | The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the Board in writing that:<br>(a) the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and<br>(b) the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects. | Satisfied. |
| 7.3 | Report and disclose 7.1 and 7.2 | Satisfied. |

| | | |
|---|---|---|
| 8.1 | Disclose the process for performance evaluation of the Board, its committees and individual directors, and key executives. | Not satisfied. The Company has not yet established formal performance review measures for key executives nor has it established a nomination committee given the size and stage of the Company's operations. The full Board will review the performance of key executives. |
| 9.1 | Provide disclosure in relation to the Company's remuneration policies to enable investors to understand:<br>(i) the costs and benefits of those policies and<br>(ii) the link between remuneration paid to directors and key executives and corporate performance | Satisfied. Refer to directors' report. |
| 9.2 | The Board should establish a remuneration committee. | Not satisfied. The Board considered this recommendation and formed the view that given the number of directors on the Board, this function could be performed just as efficiently with full Board participation. |
| 9.3 | Clearly distinguish the structure of non-executive directors' remuneration from that of executives. | Details of executive and non-executive remuneration are outlined in the directors' report. |
| 9.4 | Ensure that payment of equity based executive remuneration is made in accordance with thresholds set in plans approved by shareholders. | Satisfied. |
| 9.5 | Report on the above matters. | Satisfied. The Company has incorporated all information as required. |
| 10.1 | Establish and disclose a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders. | Satisfied. Code of Conduct is available on the Company website. |

# SUPPLEMENTARY (ASX) INFORMATION

**Shareholding Details**

The following shareholder information was applicable as at 30 September 2011.

**1. Distribution of shareholding (ASX.ATN)**

The Distribution of members and their shareholdings was as follows:

| Number Held | Number of Shareholders |
|---|---|
| 1 – 1,000 | 181 |
| 1,001 – 5,000 | 268 |
| 5,001 – 10,000 | 191 |
| 10,001 – 100,000 | 823 |
| 100,001 - | 637 |
| **Total number of Shareholders** | **2,100** |

**2. Twenty largest Shareholders (ASX.ATN; as at 30 September 2010)**

The Distribution of members and their shareholdings was as follows:

| | Shareholder | Number of Ordinary Shares | % |
|---|---|---|---|
| 1. | CRABB RICK WAYNE & C J | 89,244,173 | 12.13% |
| 2. | JP MORGAN NOM AUST LTD | 64,657,012 | 8.79% |
| 3. | BRADFORD PETER & VICKI | 44,700,000 | 6.08% |
| 4. | MACQUARIE BANK LTD | 31,250,000 | 4.25% |
| 5. | ANTELL CHARLES | 22,649,410 | 3.08% |
| 6. | HSBC CUSTODY NOM AUST LTD | 14,748,610 | 2.00% |
| 7. | LEE MOOI FAH | 13,120,681 | 1.78% |
| 8. | CCR PL | 11,000,000 | 1.50% |
| 9. | HEALEY NOM PL | 8,540,000 | 1.16% |
| 10. | TITANIC HLDGS PL | 8,341,775 | 1.13% |
| 11. | PERRYVILLE INV PL | 7,500,000 | 1.02% |
| 12. | CRABB RICK | 6,900,535 | .94% |
| 13. | WELS MURRAY BRYAN & S J | 6,800,000 | .92% |
| 14. | GIFFARD SVCS PL | 6,750,000 | .92% |
| 15. | PACIFIC DVLMT CORP PL | 6,675,000 | .91% |
| 16. | DUKOVCIC TOM PETER | 6,225,000 | .85% |
| 17. | NAMARA GEOFFREY W M | 5,826,822 | .79% |
| 18. | WESTESSA HLDGS PL | 5,070,468 | .69% |
| 19. | DUNCAN CRAIG NEIL | 5,000,000 | .68% |
| 20. | STROTHER GARY RAYMOND | 4,200,000 | .57% |
| | **TOTAL** | **369,199,486** | **50.19%** |

**3. Substantial Shareholders**

The Distribution of members and their shareholdings was as follows:

| | Shareholder | Number of Ordinary Shares | % |
|---|---|---|---|
| 1. | RICK CRABB (AND RELATED PARTIES) | 102,465,176 | 13.93% |
| 2. | JP MORGAN NOM AUST LTD | 64,657,012 | 8.79% |
| 3. | BRADFORD PETER & VICKI | 44,700,000 | 6.08% |

# GLOSSARY OF TERMS

**Andesite:** A finely crystalline igneous rock resulting from the extrusion of lava from a volcano.

**Artisanal:** Crafted or worked by hand.

**Assay results:** Detailed data obtained from a laboratory via analysis of a substance (rock, soil, drill chips) to determine its components.

**Azimuth:** The bearing, usually measured in degrees, of the direction of a drill hole.

**Bornite:** An ore mineral of copper, often red to purple in colour.

**Breccia:** A rock made up of very angular coarse fragments that may be of sedimentary origin or formed by grinding or crushing along faults.

**Chalcopyrite:** A major ore mineral of copper usually brass to yellow in colour.

**EM Survey:** A geophysical survey method, the EM (electromagnetic) survey is a significant part of modern geophysics and exploration. The method is based on the induction of electric currents in the ground caused by a changing electric current transmitted into a wire loop by an EM transmitter.

**Epithermal:** Pertaining to mineral veins and ore deposits formed from warm waters at shallow depth, at temperatures ranging from 50-200 degrees, and generally at some distance from the magmatic source.

**Galena:** A blue-grey to lead-grey mineral with a brilliant metallic lustre; primary ore of lead.

**Geochemistry:** The study of the chemical composition of the various phases of the earth and the physical and chemical processes that have produced the observed distribution of the elements in these phases.

**Granitoid intrusion:** A coarse-grained crystalline igneous rock formed from magma that was trapped and cooled at some distance below the surface.

**Gravity anomaly:** The difference between the observed gravity and the theoretical or predicted gravity.

**Hematite:** A black or black-red to brick-red iron oxide mineral; an important ore of iron. Hematite leaves a blood-red streak when scraped over a ceramic plate.

**Ma:** Mega annum; million years, used to denote geological time.

**Mafic:** A type of mineral that is composed predominately of the ferromagnesian rock-forming silicates – in general any dark mineral.

**Magnetite:** An iron oxide mineral, iron-black in colour. Magnetite leaves a black streak when scraped over a ceramic plate; also known as magnetic iron ore.

**Miocene:** A geologic epoch (7 Ma – 26 Ma) of the Tertiary Period, extending from the end of the Oligocene to the beginning of the Pliocene divisions of the Tertiary period.

**Palaeoproterozoic to early Mesoproterozoic age:** The early to middle Eras of the Proterozoic Period, from around 2,300 Ma to 1,500 Ma, being an important time period of mineralisation.

**Polymictic:** Of a clastic sedimentary rock, being made up of many rock types or more than one mineral species.

**ppm:** Parts per million, equivalent to grams per tonne (g/t).

**Proterozoic:** Geological time period between the Archaean and Palaeozoic eras, extending from 2300 million to 550 million years ago.

**Pyrite:** A hard, brittle, brass to yellow coloured iron sulphide mineral with a metallic lustre (FeS); sometimes referred to as iron pyrites or fool's gold.

**Schist:** A large group of fine-to-coarse-grained metamorphic rocks, commonly mica rich, with a parallel arrangement of its constituent minerals and which display an undulose cleavage.

**Sedimentary rock:** A rock formed by consolidated sediment deposited in layers.

**Shear zone:** An area of fractured rock that has been crushed or brecciated by differential movement across the fracture zone; often becomes a channel for underground solutions and the focus of ore deposition.

**Silica:** A naturally occurring silicon dioxide ($SiO_2$).

**Strike:** The direction of a structural surface, such as bedding or a fault plane, as it intersects the horizontal – also known as a line of strike.

**Stringer:** A very small vein, of millimetre scale, either independent or occurring as a branch of a larger vein.

**Thermal metamorphism:** Metamorphism that results from temperature-controlled and induced chemical reconstitution of pre-existing rocks, with little influence of pressure, usually resulting from the intrusion of a large body of granitoid rock.

**Tuffaceous:** Pertaining to sediments which contain up to 50% tuff – consolidated volcanic ash composed largely of fragments produced directly by volcanic eruption.

**Vesicular structure:** Rock fabric seen in many volcanic rocks, marked by numerous spherical or ellipsoidal cavities produced by bubbles of gas trapped in the cooling lava and which forms when magma is brought to or near the earth's surface.

ASHBURTON MINERALS LTD

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