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**Redbank Copper Limited**

ABN 66 059 326 519

**FINANCIAL REPORT**

**For the year ended 30 June 2011**

# Redbank Copper Limited

ABN 66 059 326 519

## CORPORATE DIRECTORY

### BOARD OF DIRECTORS

Bruce Morrin                      Managing Director  
Allan Brown                      Non-executive Director  
Keith Vuleta                      Non-executive Director

### COMPANY SECRETARY

Ildiko Wowesny

### REGISTERED OFFICE

143 Hay Street,  
Subiaco, Western Australia 6008

#### Postal Address

PO Box 8116,  
Subiaco East, Western Australia 6008

Telephone: +61 8 6389 6400  
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Email: admin@redbankcopper.com.au  
Web site: www.redbankcopper.com.au

### SHARE REGISTRY

Computershare Investor Services Pty Ltd  
Level 2,  
45 St George's Terrace,  
Perth Western Australia 6000

Telephone: (61 8) 9323 2000  
Facsimile: (61 8) 9323 2033  
E-mail: perth.services@computershare.com.au  
Web-site: www.computershare.com.au

### AUDITORS

Deloitte Touche Tohmatsu

### SOLICITORS

Steinepreis Paganin

### STOCK EXCHANGE LISTING

Shares in Redbank Copper Limited are quoted on the Australian Securities Exchange under trading code RCP.

This annual financial report covers consolidated financial statements of Redbank Copper Limited for the consolidated entity, consisting of Redbank Copper Limited and its subsidiaries. The annual financial report is presented in Australian dollars.

Redbank Copper Limited is a company limited by shares, incorporated and domiciled in Australia.

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# REDBANK COPPER LIMITED

## DIRECTORS' REPORT

The directors present their report together with the financial report of Redbank Copper Limited (the "Company") and of the consolidated entity, being the Company and its controlled entities ("the Group") for the year ended 30 June 2011.

### DIRECTORS

The names of the directors of the Company in office during the course of the financial year and up to the date of this report are as follows:

Bruce Morrin	
Keith Vuleta	
Allan Brown	
Nigel Goodall	(Appointed as Non-executive director 17 December 2010, appointed Chairman, since 22 March 2011, resigned 2 September 2011)
Ian Price	(Resigned 25 February 2011)
Marty Adams	(Appointed as a Non-executive director on 23 July 2010, resigned 13 September 2010)
Roman Lurf	(Appointed as a Non-executive director on 17 December 2010, resigned 4 February 2011)

Unless otherwise indicated, all directors held their position as a director throughout the entire financial year and up to the date of this report.

### INFORMATION ON DIRECTORS

<b>Director</b>	<b>Qualifications, experience and special responsibilities</b>
-----------------	----------------------------------------------------------------

Bruce Morrin	<p>ACSM, FAusIMM, FIMMM(CEng), MAICD Managing Director</p> <p>Bruce Morrin has a wide range of experience in various open pit, underground and diverse hard rock mining operations working in large scale underground open stoping operations, block caving, and sublevel caving operations with challenging support requirements. He has also worked at internationally recognised mining centres including the Zambian Copperbelt with Anglo American, the Great Dyke of Zimbabwe, Mt Isa in Queensland with Mt Isa Mines Ltd and various Western Australian goldfields mining operations.</p> <p>He qualified as a mining engineer at the Camborne School of Metaliferous Mining, Cornwall, England, is a Fellow of the Australian Institute of Mining and Metallurgy, a Fellow of the Institute of Materials, Minerals and Mining (UK) and holds a First Class Mine Managers Certificate of Competency.</p> <p>Mr Morrin has no other current directorships. Mr Morrin has not held directorships in any other listed companies in the last three years.</p>
Keith Vuleta	<p>B.Bus, CA, MAICD Non-Executive Director</p> <p>Mr Vuleta trained with Ernst &amp; Young and has been a Chartered Accountant for twenty five years. He has held positions as Finance Director, Chief Financial Officer and Company Secretary for public companies in the mining, engineering and financial services industries. He has extensive experience in senior financial management in the mining, construction, and engineering industries. He is principally experienced in areas of finance, system policies and controls, financial reporting, risk management and compliance. Mr Vuleta is currently Chairman of the Polytechnic of Western Australia.</p> <p>Other current directorships: Matilda Zircon Limited since 13 May 2009, Swan Gold Mining Limited since 16 May 2007.</p> <p>Mr Vuleta has not held directorships in any other listed companies in the last three years.</p> <p>Special Responsibilities – None.</p>

## REDBANK COPPER LIMITED

Allan Brown B Sc (Hons) CP (Met) NSW, FAusIMM  
Non-Executive Director

A director since December 2009. Mr Brown is a metallurgist with more than 40 years industry experience, specialising in the design, testing, commissioning and operation of base metal processing projects. He has worked as an industry consultant on metal processing projects in Australia and overseas for a range of local and global organisations including AngloGold, Newcrest and CBH Resources. Prior to his consulting career, he worked as Project and Mine Manager for a number of gold and base metal developers including Wiluna Gold, Sally Malay Nickel and Murchison Zinc.

Other current directorships: Swan Gold Mining Limited, Mutiny Gold Limited.

Mr Brown has not held directorships in any other listed companies in the last three years.

Special Responsibilities - None

Nigel Goodall B. Mineral Processing, MBA  
Chairman  
Resigned 2 September 2011.

Ian Price B.Eng., FAusIMM  
Chairman  
Resigned 25 February 2011.

Marty Adams B Eng, MBA  
Non-Executive Director  
Resigned 13 September 2010.

Roman Lurf Dipl. Ing.,Dr.mont  
Non-Executive Director  
Resigned 4 February 2011.

### **Information on Company Secretary**

Ildiko Wowesny B.Bus.

Company Secretary since April 2009. Ms Wowesny is a qualified Accountant with Experience in company secretarial roles together with corporate management, accounting and financial areas. She has served as Company Secretary for ASX listed resource companies for some considerable time together with 5 years at Deloitte Touche Tohmatsu and also a period in the United Kingdom with resource groups.

## REDBANK COPPER LIMITED

### DIRECTORS' INTERESTS

At the date of this report, the interests of each Director in the shares and options of Redbank Copper Limited were:

Director	Fully paid shares	Unlisted options
B Morrin	292,593	500,000
K Vuleta	90,001	500,000
A Brown	-	-

### DIRECTORS' MEETINGS

The number of meetings of the Board of Directors held during the year and the number of meetings attended by each director (while they were a Director) was as follows:

	Board	
	Number held whilst in office	Number attended
I Price	9	9
B Morrin	12	12
K Vuleta	12	11
A Brown	12	10
Nigel Goodall	7	7
Marty Adams	2	2
Roman Lurf	3	3

### REMUNERATION REPORT (audited)

This report sets out the remuneration arrangements in place for Directors and executives of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its regulations. For the purposes of this report Key Management Personnel ("KMP") of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the parent company.

#### *Principles used to determine the nature and amount of remuneration*

##### *Directors and executives remuneration*

Overall remuneration policies are determined by the Board of Directors and are adapted to reflect competitive market and business conditions. Within this framework, the remuneration committee considers remuneration policies and practices generally, and determines specific remuneration packages and other terms of employment for executive directors and senior management. Executives may be provided with longer-term incentives through participation in option schemes, which serve to align the interests of the executives with those of shareholders. Executive remuneration and other terms of employment are reviewed annually by the board having regard to performance, relevant comparative information and expert advice.

Redbank Copper Limited's remuneration policy for executive directors and senior management is designed to promote superior performance and long term commitment to Redbank Copper Limited. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing Redbank's operations. Executive directors receive a base remuneration which is market related.

Redbank's remuneration policies are designed to align executive's remuneration with shareholders' interests and to retain appropriately qualified executive talent for the benefit of Redbank. The main principles of the policy include:

- reward reflects the competitive market in which Redbank operates;
- individual reward should be linked to performance criteria; and
- executives should be rewarded for both financial and non-financial performance.

The structure of remuneration packages for executive directors and other senior executives comprises:

- a fixed sum base salary payable monthly in cash;
- long term incentives through executive directors being eligible to participate in a share option plan and share purchase plan as approved by shareholders. Senior executives may also participate in an employee share option plan, with any option issues generally being made in accordance with thresholds set in plans approved by shareholders and the share purchase plan; and
- other benefits, including participation in superannuation schemes.

## REDBANK COPPER LIMITED

The proportion of fixed and variable remuneration is established for each executive by the Board. The objective of any short term incentives is to link achievement of Redbank's operational targets with the remuneration received by executives charged with meeting those targets. The objective of long term incentives is to reward executives in a manner which aligns this element of their remuneration with the creation of shareholder wealth. Redbank's activities comprise the exploration, evaluation and development of mineral tenements aimed at identifying economic mineral deposits capable of development. Redbank's financial performance reflects the nature of these ongoing activities.

The payment of bonuses, share options and other incentive payments are reviewed by the Board as part of the review of executive remuneration and a recommendation is put to the Board for approval. The Board can exercise its discretion in relation to approving incentives, bonuses and options. Any changes must be justified by reference to measurable performance criteria.

The annual performance objectives are the means by which the Company links company performance and remuneration policy. Having regard to the current stage of the Company's evolution, linking of remuneration policy to production performance milestones and progress rather than earnings is considered the most appropriate method of incentivising employees. The realisation of achieving production targets and reaching full production levels is expected to have positive influence on the Company's share price as would exploration advancements. Any increase in the share price of the Company has a positive effect on shareholder wealth.

The Directors consider the principles of the remuneration of key management personnel have been successful in providing positive company performance. The principles have provided the desired incentive and are expected to continue to provide such incentive. Whilst the Company has only been in the early formative stages of the development of the Redbank mine site it is difficult to determine the effect on shareholder wealth. Whilst it may be expected that earnings would be a loss position in these early stages, any improved earning is viewed to be a long term position that is not yet fully determinable.

### *Non-executive directors' remuneration*

In accordance with current corporate governance practices, the structure for the remuneration of non-executive directors and senior executives is separate and distinct. Shareholders approve the maximum fees payable to non-executive directors, with the current approved limit being \$250,000. The Board determines the actual payments to directors. The Board approves any consultancy arrangements for non-executive directors who provide services outside of and in addition to their duties as non-executive directors.

Non-executive directors are entitled to statutory superannuation benefits. At this stage of Redbank's development, non-executive directors may be entitled to participate in equity based remuneration schemes. Shareholders must approve the framework for any equity based compensation schemes and if a recommendation is made for a director to participate in an equity scheme, that participation must be specifically approved by the shareholders. All directors are entitled to have their indemnity insurance paid by Redbank.

The tables below sets out summary information about the consolidated entity's earnings and movements in shareholder wealth for five years to June 2011. (Note values for 2007 to 2009 financial years have been restated for the 1:10 share consolidation that took place during the 2010 financial year)

	30 June 2011 \$	30 June 2010 \$	30 June 2009 \$	30 June 2008 \$	30 June 2007 \$
Revenue	61,225	66,738	1,518,776	3,874,638	3,441,935
Net loss before tax	(91,746)	(3,364,233)	(5,471,736)	(11,609,067)	(2,403,491)
Net loss after tax	(91,746)	(3,364,233)	(5,471,736)	(11,609,067)	(2,403,491)
Share price at start of year	0.04	0.02	0.04	0.12	0.10
Share price at end of year	0.01	0.04	0.02	0.04	0.12
Interim and Final Dividend	-	-	-	-	-
Basic earnings per share	(0.001) cents	(2.98) cents	(19.17) cents	(81.0) cents	(25.0) cents
Diluted earnings per share	(0.001) cents	(2.98) cents	(19.17) cents	(81.0) cents	(25.0) cents

## REDBANK COPPER LIMITED

### REMUNERATION REPORT (audited) (continued)

#### *Details of remuneration*

The following table discloses details of the nature and amount of each element of the remuneration of each director of Redbank and the Group and each of the key management personnel for the year ended 30 June 2011. The information in this table has been audited.

30 June 2011 Group  Name	Short term employee benefits			Post-employment benefits		Share based payments	Total	Proportion of remuneration performance related	Value of options as proportion of remuneration
	Cash salary and fees	Cash bonus	Non- monetary benefits	Superannuation	Termination benefits	Options			
	\$		\$	\$	\$	\$	\$	%	%
<b>Key management personnel</b>									
<b>Directors</b>									
<i>Executive directors</i>									
B Morrin	207,340	-	-	42,660	-	-	250,000	-	-
<i>Non-executive directors</i>									
K Vuleta	38,430	-	-	810	-	-	39,240	-	-
A Brown	9,000	-	-	30,240	-	-	39,240	-	-
N Goodall (i)	12,000	-	-	1,080	-	-	13,080	-	-
I Price (ii)	31,288	-	-	2,816	-	-	34,104	-	-
M Adams (iii)	5,559	-	-	-	-	-	5,559	-	-
R Lurf (iv)	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>303,617</b>	<b>-</b>	<b>-</b>	<b>77,606</b>	<b>-</b>	<b>-</b>	<b>381,223</b>		

(i) Mr Goodall was appointed as a non-executive director on 17 December 2010. From 22 March 2011 he was appointed as Chairman and subsequently resigned on 2 September 2011.

(ii) Mr Price resigned as a director on 25 February 2011.

(iii) Mr Adams was appointed as a director on 23 July 2010, and resigned as a director on 13 September 2010.

(iv) Mr Lurf was appointed as a director on 17 December 2010, and resigned as a director on 4 February 2011.

REDBANK COPPER LIMITED

REMUNERATION REPORT (audited) (continued)

30 June 2010 Group Name	Short term employee benefits			Post-employment benefits		Share based payments	Total	Proportion of remuneration performance related	Value of options as proportion of remuneration
	Cash salary and fees	Cash bonus	Non-monetary benefits	Superannuation	Termination benefits	Options			
	\$		\$	\$	\$	\$	\$	%	%
<b>Key management personnel</b>									
<b>Directors</b>									
<i>Executive directors</i>									
B Morrin	200,000	-	-	50,000	-	12,500	262,500	-	4.8%
S Field (i)	-	-	-	-	250,000	-	250,000	-	-
<i>Non-executive directors</i>									
I Price (ii)	24,887	-	-	2,240	-	-	27,127	-	-
K Vuleta (iii)	26,217	-	-	2,360	-	-	28,577	-	-
A Brown (iv)	9,000	-	-	13,890	-	-	22,890	-	-
B Siddall (v)	9,000	-	-	-	-	-	9,000	-	-
M Kiernan (vi)	16,500	-	-	1,485	-	-	17,985	-	-
J Searle (vii)	46,000	-	-	-	-	-	46,000	-	-
<b>Total</b>	<b>331,604</b>	<b>-</b>	<b>-</b>	<b>69,975</b>	<b>250,000</b>	<b>12,500</b>	<b>664,079</b>		

- i) Ms Field was appointed as a non-executive director on 1 July 2009 and resigned as a director on 19 November 2009.
- ii) Mr Price was appointed as a director on 28 October 2009. From 17 June 2010 he was appointed as Chairman.
- iii) Mr Vuleta was appointed as a director on 9 October 2009.
- iv) Mr Brown was appointed as a director on 4 December 2009.
- v) Mr Siddall resigned as a director on 9 October 2009.
- vi) Mr Kiernan resigned as a director on 18 June 2010.
- vii) Mr Searle resigned as a director on 18 June 2010.

## REDBANK COPPER LIMITED

REMUNERATION REPORT (audited) (continued)

### *Compensation options: granted and vested during the year (consolidated)*

There were no options granted to key management personnel during the year.

### *Analysis of options over equity instruments granted as part of remuneration*

<b>30 June 2011</b>	Value of options granted during the year \$	Value of options exercised during the year \$	Value of options lapsed during the year \$	Total \$
<b>Director</b>				
B Morrin	-	-	775	775

No shares were issued during the year as a result of the exercise of options granted as part of remuneration.

There were no alterations to the terms and conditions of options granted as remuneration since their grant date. There were no forfeitures during the year.

Information on any benefits received by directors of Redbank Copper Limited by reason of a contract made by the consolidated entity with a director or a director-related entity is contained in Note 19 of the financial report.

### *Service agreements*

There are no service agreements in place.

### *Share-based compensation*

Directors, employees and consultants may be eligible to participate in equity based compensation schemes. An employee share option scheme has been adopted by the Board of the Company. The primary purposes of the scheme are to increase motivation, promote retention, align interests with those of the Company and its shareholders and to reward contribution to the growth of the Company.

## REDBANK COPPER LIMITED

### PRINCIPAL ACTIVITIES

The principal activities of the Company during the financial year is as an Australian based mining company focused on the development of the Redbank Copper Project in the north-eastern area of the Northern Territory in Australia.

### OPERATING RESULTS

The net loss of the Group after provision for income tax was \$91,746 (2010: \$3,364,233).

The following non-cash items were included in the Group operating loss reported:

	\$
Recognition of foreign currency translation reserve	594,226
Impairment of receivable from Fiji government	(80,287)
Write back of liabilities/provisions	1,588,341
Net gain on financial assets Fair value through profit or loss	<u>66,668</u>
	<u>2,168,948</u>

### REVIEW OF OPERATIONS

The mine and treatment facilities at the Redbank Copper Mine remain on a care and maintenance programme. Through the year all necessary environmental work was conducted in relation to mine water from the Sandy Flat Pit and the required ongoing monitoring of water within the nearby water catchment systems.

Following the consideration of the Implementation Plan the Board determined that Redbank's 3 year oxide project carried unacceptable risk and with the continuing impact of the global financial downturn on raising finance the decision was made to suspend the oxide production plan and concentrate activities on exploration to increase the resource base.

A brief RC drill programme was undertaken which started in mid November 2010 and finished with the on-set of the wet season in mid December 2010. Several targets were identified for future exploration including a further four new mineralised pipes of which Double Bluff, Quartzite, Charlie and Masterton were identified. These do not yet contribute to the new resource calculations.

The 2010 exploration drilling programme increased the total Indicated and Inferred JORC Resource to 6.268Mt @ 1.53% Cu for 96,500 tonnes of contained metal, composed of an Indicated Resource of 2.77Mt tonnes at 1.55% Cu, and an Inferred Resource of 3.50Mt tonnes at 1.52% Cu.

Negotiations were started with Hartz Range Mines for the formation of a Farm-In Joint Venture on the tenement surrounding Redbank's ERL94. ERL94 contains Redbank's identified copper resources.

Agreements was reached with the CSIRO and Northern Territory Geological Survey to enhance Redbank's understanding of the local geological processes and economic mineralisation as well as developing better exploration methods and identify "under explored" areas. The CSIRO Research commenced in late June 2011 as part of CSIRO's *Minerals Down Under* National Research Flagship.

### DIVIDENDS

No dividend was paid or declared during the year and the directors do not recommend the payment of a dividend.

### LIKELY DEVELOPMENTS

The company has a significant high grade copper resource at Redbank Copper Project.

The current strategy is to progress the exploration programme with the aim of creating a copper metal resource of approximately 200,000 tonnes of copper metal (effectively doubling the present 96,000 tonnes) in the next two to three years and ensure the best possible economics to support the recommencement of copper production.

In the opinion of the directors there is no additional information available as at the date of this report on any likely developments which may materially affect the operations of the Group and the expected results of those operations in subsequent years.

## REDBANK COPPER LIMITED

### OPTIONS GRANTED OVER UNISSUED SHARES

At the date of this report, 5,200,000 ordinary fully paid shares which are subject to options were unissued. The terms of these options are as follows:

Options granted over fully paid shares exercisable:

	<b>Number</b>
- exercisable at \$1.50 each on or before 30 June 2012	250,000
- exercisable at \$0.50 each on or before 30 June 2012	250,000
- exercisable at \$0.50 each on or before 31 December 2011	3,650,000
- exercisable at \$0.10 each on or before 30 June 2012	400,000
	<hr/>
	4,550,000
	<hr/> <hr/>

Details of options issued and exercised during the financial year are contained in note 16 and 28 to the financial report.

Subsequent to the end of the year no options have been converted into fully paid ordinary shares.

No person entitled to exercise the options has any right by virtue of the option to participate in any share issue of the parent entity or any other corporation.

### SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Group during the financial year.

### EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Significant events which have occurred subsequent to the end of the financial year are contained in Note 24 to the financial report.

### NON-AUDIT SERVICES

The Board has considered the non-audit services provided during the year and is satisfied that the provision of those services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and did not compromise the auditor independence requirements of the Corporations Act 2001, for the following reasons:

- all non-audit services were subject to the corporate governance guidelines adopted by the Company;
- all non-audit services have been reviewed by the Board to ensure that they do not impact the impartiality 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 and Professional and Ethical Standards Board.

Non-audit services paid or payable to the auditors during the year ended 30 June 2011 are outlined in note 18 to the financial statements.

### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has taken out an insurance policy insuring Directors and Officers of the Company against any liability arising from a claim brought by a third party against the Company or its Directors or Officers, and against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as a Director or Officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

The Company has entered into indemnity agreements with each of the directors and officers of the Company. Under the agreements, the Company will indemnify those officers against any claim or for any expenses or costs which may arise as a result of work performed in their respective capacities as officers of the Company or any related entities.

## REDBANK COPPER LIMITED

### ENVIRONMENTAL REGULATIONS

The consolidated entity is subject to significant environmental regulation in respect to its mining and mineral exploration activities. These obligations are regulated under relevant government authorities within Australia. The consolidated entity is a party to exploration and mine development licences. Generally, these licences specify the environmental regulations applicable to exploration and mining operations in the respective jurisdictions. The consolidated entity aims to ensure that it complies with the identified regulatory requirements in each jurisdiction in which it operates.

Compliance with environmental obligations is monitored by the Board of Directors. No environmental breaches have been notified to the Company by any government agency during the financial year ended 30 June 2011.

### AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under Section 307C of the Corporations Act is included immediately following the Directors' Report and forms part of the Directors' Report.

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



Keith Vuleta  
Director

Perth, Western Australia  
30 September 2011

REDBANK COPPER LIMITED

AUDITOR'S INDEPENDENCE DECLARATION

**Deloitte.**

Deloitte Touche Tohmatsu  
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The Board of Directors  
Redbank Copper Limited  
Level 1, 143 Hay Street Subiaco  
PERTH WA 6008

30<sup>th</sup> September 2011

Dear Board Members

**Redbank Copper Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Redbank Copper Limited.

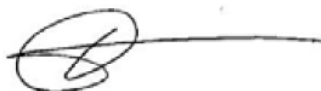
As lead audit partner for the audit of the financial statements of Redbank Copper Limited for the financial year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU



**Leanne Karamfiles**  
Partner  
Chartered Accountant

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

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CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	NOTE	CONSOLIDATED	
		2011 \$	2010 \$
<b>Continuing operations</b>			
Other income	3	61,225	66,738
Employee and directors – remuneration expenses		(381,223)	(406,466)
Share based payments		-	(238,415)
Depreciation and amortisation		(127,585)	(12,398)
Corporate and administrative expenses		(1,108,097)	(1,396,583)
Finance costs	4a	(140,186)	(64,781)
Redbank Copper NT – care and maintenance		(564,828)	(1,267,468)
Fixed assets write off		-	(25,000)
Net gain on financial assets fair valued through P&L		66,668	-
Net gain from write back/off of liabilities / assets	4b	<u>2,102,280</u>	<u>-</u>
Loss before income tax		(91,746)	(3,364,233)
Income tax expense	5	<u>-</u>	<u>-</u>
<b>LOSS FOR THE YEAR</b>		<u>(91,746)</u>	<u>(3,364,233)</u>
Attributable to:			
Owners of the Company		(91,746)	(3,364,233)
Non-controlling interests		<u>-</u>	<u>-</u>
		<u>(91,746)</u>	<u>(3,364,233)</u>
<b>Loss per share</b>			
Basic and diluted loss per share (cents per share)	22	(0.001)	(2.98)

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

REDBANK COPPER LIMITED

CONDOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30  
JUNE 2011

	NOTE	CONSOLIDATED	
		2011 \$	2010 \$
<b>Loss for the year</b>		<u>(91,746)</u>	<u>(3,364,233)</u>
<b>Other comprehensive income for the year</b>			
Exchange differences on translation of foreign operations		<u>-</u>	<u>594,226</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><u>(91,746)</u></u>	<u><u>(2,770,007)</u></u>
Attributable to:			
Owners of the Company		(91,746)	(2,770,007)
Non-controlling interests		<u>-</u>	<u>-</u>
		<u><u>(91,746)</u></u>	<u><u>(2,770,007)</u></u>

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

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**REDBANK COPPER LIMITED**

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

	NOTE	CONSOLIDATED	
		2011	2010
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	7,152	27,228
Trade and other receivables	7	98,588	369,790
Inventories	8	260,404	240,867
Other financial assets	9	<u>266,668</u>	<u>-</u>
<b>TOTAL CURRENT ASSETS</b>		<u>632,812</u>	<u>637,885</u>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	7	366,252	534,958
Plant and equipment	10	1,267,434	1,327,354
Mine development	11	3,735,020	2,643,458
Deferred exploration and evaluation expenditure	12	<u>9,491,925</u>	<u>8,256,935</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<u>14,860,631</u>	<u>12,762,705</u>
<b>TOTAL ASSETS</b>		<u>15,493,443</u>	<u>13,400,590</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	779,540	941,708
Interest bearing loans and borrowings	14	1,915,552	902,855
Provisions	15	<u>571,525</u>	<u>589,929</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>3,266,617</u>	<u>2,434,492</u>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	13	-	736,303
Interest bearing loans and borrowings	14	-	353,898
Provisions	15	<u>116,627</u>	<u>975,526</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>116,627</u>	<u>2,065,727</u>
<b>TOTAL LIABILITIES</b>		<u>3,383,244</u>	<u>4,500,219</u>
<b>NET ASSETS</b>		<u>12,110,199</u>	<u>8,900,371</u>
<b>EQUITY</b>			
Issued capital	16	89,327,728	85,431,928
Accumulated losses		(78,945,957)	(78,854,211)
Reserves	17	<u>1,728,428</u>	<u>2,322,654</u>
<b>TOTAL EQUITY</b>		<u>12,110,199</u>	<u>8,900,371</u>

The above statements should be read in conjunction with the accompanying notes.

**REDBANK COPPER LIMITED**

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2011**

<b>Consolidated</b>	<b>Issued capital \$</b>	<b>Reserves \$</b>	<b>Accumulated losses \$</b>	<b>Total equity \$</b>
<b>At 30 June 2009</b>	75,915,514	1,528,013	(75,489,978)	1,953,549
Loss for the year	-	-	(3,364,233)	(3,364,233)
<i>Other comprehensive income</i>				
Foreign currency translation differences	-	594,226	-	594,226
Total comprehensive income for the year	-	594,226	(3,364,233)	(2,770,007)
<b>Equity Transactions:</b>				
Issue of share capital	10,046,384	-	-	10,046,384
Share buy back	(93,460)	-	-	(93,460)
Share issue expenses	(474,510)	-	-	(474,510)
Share based payment	38,000	200,415	-	238,415
<b>At 30 June 2010</b>	85,431,928	2,322,654	(78,854,211)	8,900,371
Loss for the year	-	-	(91,746)	(91,746)
<i>Other comprehensive income</i>				
Foreign currency translation reclassified to profit or loss	-	(594,226)	-	(594,226)
Total comprehensive income for the year	-	(594,226)	(91,746)	(685,972)
<b>Equity Transactions:</b>				
Issue of share capital	3,944,836	-	-	3,944,836
Share buy back	-	-	-	-
Share issue expenses	(49,036)	-	-	(49,036)
Share based payment	-	-	-	-
<b>At 30 June 2011</b>	89,327,728	1,728,428	(78,945,957)	12,110,199

The above statements should be read in conjunction with the accompanying notes.

**REDBANK COPPER LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011**

	NOTE	CONSOLIDATED	
		2011 \$	2010 \$
<b>Cash flows from operating activities</b>			
Receipts from customers – other		32,975	4,400
Payments to suppliers and employees		(2,257,966)	(3,262,388)
Payments for copper sales refunds		-	(813,108)
Interest received		24,294	29,963
Interest paid		<u>(37,233)</u>	<u>(95,088)</u>
<b>Net cash outflow from operating activities</b>	26(b)	<u>(2,237,930)</u>	<u>(4,136,221)</u>
<b>Cash flows from investing activities</b>			
Payments for exploration and evaluation		(1,174,700)	(2,145,404)
Payments for mine project development		(1,051,143)	(2,293,400)
Payments for purchase of plant and equipment		(98,892)	(465,573)
Payment for security deposits		(25,935)	(30,788)
Proceeds from rental and security bonds		99,355	-
Contributions received from Joint Venture		-	171,622
<b>Net cash outflow from investing activities</b>		<u>(2,251,315)</u>	<u>(4,763,543)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares		-	6,167,750
Share issue costs		(49,036)	(474,511)
Payments for share buy back		-	(93,460)
Loans advanced		2,965,000	1,380,000
Loans repaid		-	(1,020,000)
Finance lease repayments		(50,906)	(39,418)
Unsecured notes issued		<u>1,642,193</u>	<u>1,494,467</u>
<b>Net cash inflow from financing activities</b>		<u>4,507,251</u>	<u>7,414,828</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>		18,006	(1,484,936)
Cash at the beginning of the financial year		(10,854)	1,474,082
Effects of exchange rate changes on the balances of cash held in foreign currencies		<u>-</u>	<u>-</u>
Cash at the end of the financial year	26(a)	<u>7,152</u>	<u>(10,854)</u>

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

# REDBANK COPPER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

The financial report of Redbank Copper Limited for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the Directors on 30 September 2011.

Redbank Copper Limited (the "Company") is a company limited by shares whose shares are publicly traded on the Australian Securities Exchange. The Company is incorporated and domiciled in Australia. The comparative period is for the period from 1 July 2009 to 30 June 2010.

The nature of the operations and principal activities of the Company are disclosed in the Directors' Report.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Statement of Compliance

The financial report complies with the Corporations Act (2001) and Australian Accounting Standards and Interpretations, which include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ("IFRS").

#### Basis of Preparation

The financial report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The financial report is presented in Australian dollars unless otherwise noted.

The accounting policies adopted in the preparation of financial report are consistent with those of the Group's previous annual financial report ending 30 June 2010 except for the impact of the Standards and Interpretations described below. These policies are consistent with the Australian Accounting Standards and with International Financial Reporting Standards.

The group has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to their operations and effective for the current reporting period.

#### 2.1 Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in section 2.2.

#### Standards affecting presentation and disclosure

<i>Amendments to AASB 7 'Financial Instruments: Disclosure' (adopted in advance of effective date of 1 January 2011)</i>	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.
<i>Amendments to AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'</i>	Disclosures in these financial statements have been modified to reflect the clarification in AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project' that the disclosure requirements in Standards other than AASB 5 do not generally apply to noncurrent assets classified as held for sale and discontinued operations.
<i>Amendments to AASB 101 'Presentation of Financial Statements' (adopted in advance of effective date of 1 January 2011)</i>	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.
<i>Amendments to AASB 107 'Statement of Cash Flows'</i>	The amendments (part of AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') specify that only expenditures that result in a recognised asset in the statement of financial position can be

# REDBANK COPPER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

	classified as investing activities in the statement of cash flows. Consequently, cash flows in respect of development costs that do not meet the criteria in AASB 138 'Intangible Assets' for capitalisation as part of an internally generated intangible asset (and, therefore, are recognised in profit or loss as incurred) have been reclassified from investing to operating activities in the statement of cash flows.
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Standards and Interpretations affecting the reported results or financial position

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

### 2.2 Standards and Interpretations adopted with no effect on financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	Except for the amendments to AASB 5 and AASB 107 described earlier this section, the application of AASB 2009-5 has not had any material effect on amounts reported in the financial statements.
AASB 2009-8 'Amendments to Australian Accounting Standards – Group Cash-Settled Sharebased Payment Transactions'	The application of AASB 2009-8 makes amendments to AASB 2 'Share-based Payment' to clarify the scope of AASB 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award
AASB 2009-10 'Amendments to Australian Accounting Standards – Classification of Rights Issues'	The application of AASB 2009-10 makes amendments to AASB 132 'Financial Instruments: Presentation' to address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments.
AASB 2010-3 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	The application of AASB 2010-3 makes amendments to AASB 3(2008) 'Business Combinations' to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of noncontrolling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of noncontrolling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other Standards. In addition, the application of AASB 2010-3 makes amendments to AASB 3(2008) to give more guidance regarding the accounting for share-based payment awards held by the acquiree's employees. Specifically, the amendments specify that share-based payment transactions of the acquiree that are not replaced should be measured in accordance with AASB 2 'Share-based Payment' at the acquisition date ('market-based measure').
AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	Except for the amendments to AASB 7 and AASB 101 described earlier this section, the application of AASB 2010-4 has not had any material effect on amounts reported in the financial statements.
Interpretation 19 'Extinguishing Financial Liabilities with Equity Instruments'	This Interpretation provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. In particular, the equity instruments issued under such arrangements will be measured at their fair value,

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## NOTES TO THE FINANCIAL STATEMENTS

	and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss. To date, the Group has not entered into transactions of this nature.
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### 2.3 Accounting Standards and Interpretations issued but not yet effective

The following Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the consolidated entity for the year ended 30 June 2011.

Standard / Interpretation	Effective for annual reporting periods beginning/ending on or after	Expected to be applied by consolidated entity
AASB 124 Related Party Disclosures (2009) and AASB 2009-12 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
AASB 9: Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-9 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	1 January 2013	30 June 2014
AASB 2010-4 Further Amendments to Australian Accounting Standards arising from Annual Improvements Project	1 January 2011	30 June 2012
AASB 2010-5 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets	1 July 2011	30 June 2012
AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013
AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	1 July 2013	30 June 2014
AASB 10 Consolidated Financial Statements	1 January 2013	30 June 2014
AASB 11 Joint Arrangements	1 January 2013	30 June 2014
AASB 12 Disclosure of Interests in Other Entities	1 January 2013	30 June 2014
IFRS 13 Fair Value Measurement	1 January 2013	30 June 2014

The impact of these recently issued or amended Standards and Interpretation have not been determined as yet by the consolidated entity.

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## NOTES TO THE FINANCIAL STATEMENTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (a) 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 ordinary course of business. The ability of the Group and Company to continue their mineral project evaluation activities, and hence the continued adoption of the going concern assumption, is dependent on the Group raising additional funding as and when required.

The Group has incurred a net loss after tax for the year ended 30 June 2011 of \$91,746 (2010: \$3,364,233) and experienced net cash outflows from operating and investing activities of \$4,489,245 (2010: outflow \$8,899,764). As at 30 June 2011 the Group had a working capital deficiency of \$2,633,805 (2010: \$1,796,607). Further, as disclosed in note 29, the Company has incurred a net loss after tax for the year ended 30 June 2011 of \$4,331,438 (2010: \$2,061,246) and as at 30 June 2011 the Company had a working capital deficiency of \$2,519,595 (2010: \$1,953,178).

It is the opinion of the board of directors that there are reasonable grounds to believe that the operational and financial plans in place are achievable and accordingly the Company and Group will be able to continue as going concerns and meet their debts as and when they fall due.

During the year to 30 June 2011 and the period to the date of this report, the Directors have taken steps to ensure the Company and Group continue as going concerns. These steps include:

- The Company embarked on an exploration program to focus on discovery and delineation of high grade sulphide resources in order to grow the mine life of a proposed new copper production facility and for a review of development options for the Redbank mine;
- During the year to 30 June 2011 the Company had the continuing support of its major shareholder, Stirling Resources Limited ("Stirling"). Stirling had advanced \$2,965,000 to the Company during the year and an amount of \$1,210,000 remained outstanding as at 30 June 2011;
- The Company has a convertible note facility with La Jolla Cove Investors Inc. During the year ended 30 June 2011 US\$1,625,000 was received pursuant to this facility. No further funds are approved under the agreement;
- The Company has received an undertaking from DCM DECOmetall GmbH (DCM) to provide funding to support the Company's and Group's activities. In addition, DCM and Stirling have provided an undertaking not to require repayment of any amounts provided to the Company until such time as the Company has the ability to repay them;
- As announced on 30 September 2011 the Company has agreed to terms for a Private Placement Facility of \$2,250,000 (with a minimum of \$1,500,000) and a Committed Equity Facility totalling \$10,000,000 with Chimaera Equity Market Neutral Fund of Australia ("Chimaera"); and
- Ongoing management of the level of exploration and development expenditure in line with funds available to the Group.

The ability of the Company and the Group to continue as going concerns is dependent on:

- (i) Based on the Company's cash flow forecast prepared to September 2012, funding of approximately \$500,000 will be required within the first two weeks of October 2011, a further \$1,000,000 in November 2011 and an average of \$270,000 each month thereafter, totalling approximately \$4,200,000. The directors are confident of receiving these funds from the Private Placement Facility and the Committed Equity Facility with Chimaera discussed above and through the continued financial support from DCM to fund the Company's ongoing exploration activities and working capital requirements throughout the period to 30 September 2012, and undertakings not to require repayment of any amounts provided to the Company by DCM and Stirling until such time as the Company has the ability to repay them;
- (ii) Ongoing management of the level of exploration and development expenditure in line with funds available to the Group; and
- (iii) The ability of the Company and Group to secure additional debt / equity funding if required.

The Directors have reviewed the Company's and Group's overall position and outlook in respect of the matters identified above and are of the opinion that the use of the going concern basis is appropriate in the circumstances.

Should the Directors not be successful in achieving the matters set out above, there is significant uncertainty whether the Company and the Group will be able to continue as going concerns and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

# REDBANK COPPER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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 might be necessary should the Company and the Group not continue as going concerns.

The following accounting policies have been adopted in the preparation and presentation of the financial report:

### **(b) Basis of Consolidation**

The consolidated financial statements are those of the consolidated entity comprising Redbank Copper Limited (“Redbank” or the “Company”) (the parent entity) and all entities (including special purpose vehicles) that Redbank controlled from time to time during the year and at the reporting date (the “Group”).

Information from the financial statements of subsidiaries is included from the date the parent entity obtains control until such time as control ceases. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent entity has control. Subsidiary acquisitions are accounted for using the acquisition method of accounting. In the Company’s separate financial statements, investments in controlled entities are carried at lower of cost and recoverable value. Such investments include both investments in shares issued by the subsidiary and other parent entity interest that in substance form part of the parent entity’s investment in the subsidiary. These include investments in the form of interest free loans which have no fixed repayment terms and which have been provided to subsidiaries as an additional source of long term capital.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. All intercompany balances and transactions, including unrealised profits arising from intra group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

### **(c) Significant accounting judgements, estimates and assumptions**

In the process of applying the Group’s accounting policies management has made the following significant accounting judgements and estimates in the preparation of these financial statements.

#### *Exploration and evaluation*

Exploration and evaluation expenditure has been carried forward in accordance with policy 2(f) on the basis that exploration and evaluation activities have not yet reached a stage which permits reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing. In the event that significant operations cease and/or economically recoverable resources are not assessed as being present, this expenditure will be expensed to the income statement.

#### *Share based payment transactions*

The Company measures the cost of equity settled transactions with employees and consultants by reference to the fair value of the equity instruments at the date which they are granted. The fair value is determined by internal valuation using a binomial method with assumptions disclosed in Note 28.

#### *Income tax expense*

The income tax expense has been estimated and calculated based on management’s best knowledge of Australian Income Tax legislation. There may be differences with the treatment of individual jurisdiction provisions but these are not expected to have any material impact on the amounts as reported.

#### *Impairment of receivable*

The Company assessed the amount of expected recovery based upon its best estimate.

# REDBANK COPPER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (d) Significant accounting judgements, estimates and assumptions

In the process of applying the Group's accounting policies management has made the following significant accounting judgements and estimates in the preparation of these financial statements.

##### *Exploration and evaluation*

Exploration and evaluation expenditure has been carried forward in accordance with policy 2(f) on the basis that exploration and evaluation activities have not yet reached a stage which permits reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing. In the event that significant operations cease and/or economically recoverable resources are not assessed as being present, this expenditure will be expensed to the income statement.

##### *Share based payment transactions*

The Company measures the cost of equity settled transactions with employees and consultants by reference to the fair value of the equity instruments at the date which they are granted. The fair value is determined by internal valuation using a binomial method with assumptions disclosed in Note 28.

##### *Income tax expense*

The income tax expense has been estimated and calculated based on management's best knowledge of Australian Income Tax legislation. There may be differences with the treatment of individual jurisdiction provisions but these are not expected to have any material impact on the amounts as reported.

##### *Impairment of receivable*

The Company assessed the amount of expected recovery based upon its best estimate.

#### (e) Foreign Currency Translation

##### *(i) Functional and presentation currency*

Both the functional and presentation currency of Redbank Copper Limited is Australian Dollars (\$). The functional currency of the registered subsidiary companies is Australian Dollars (\$) with the exception of Audesso Mining (Fiji) Limited which uses Fiji Dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that currency.

##### *(ii) Foreign currency transactions*

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange at the balance sheet date.

All exchange differences relating to transactions and balances denominated in foreign currency in the consolidated financial report are taken to profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

##### *(iii) Translation of financial reports of foreign operations*

The assets and liabilities of foreign operations are translated to the group presentation currency at rates of exchange ruling at the balance sheet date. Income and expense items are translated at average exchange rates for the year. Any exchange differences are taken directly to the foreign currency translation reserve. On disposal of a foreign entity, cumulative deferred exchange differences are recognised in the income statement as part of the profit or loss on sale.

# REDBANK COPPER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (f) Trade and other receivables

Trade receivables, which generally have 30 to 90 day terms, are recognised and carried at original invoice amount less a provision for uncollectible debts. An estimate of the provision for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

#### (g) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest.

Each area of interest is limited to a size related to a known or probable mineral resource capable of supporting a mining operation.

Exploration expenditure for each area of interest is expensed as incurred, except that it may be carried forward provided that one of the following conditions is met:

- Such costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- Exploration activities in the area of interest have not, at balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Exploration expenditure which no longer satisfies the above policy is written off. In addition, an impairment allowance is raised against any exploration expenditure where the Directors are of the opinion that the carried forward net cost may not be recoverable under the above policy. The increase in the impairment allowance is charged against the income statement for the year.

When an area of interest is abandoned, any expenditure carried forward in respect of that area of interest is written off in the year in which the decision to abandon is made.

Expenditure is not carried forward in respect of any area of interest unless the Group's right of tenure to that area of interest are current. Amortisation is not charged on areas under development, pending commencement of production.

#### (h) Employee entitlements

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and long service leave and any other benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liabilities, are used.

# REDBANK COPPER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (i) Share based payment transactions

The Company provides benefits to employees (including directors) in the form of share-based payments transactions, whereby employees render services in exchange for shares or rights over shares ("share based payments" or "equity settled transactions"). There is currently an Employee Share Option Plan in place to provide these benefits to employees.

The cost of these equity settled transactions with employees is measured by reference to the fair value at the date they are granted. The value is determined by an external valuer using a binomial model details of which are given in note 28. In valuing equity settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Redbank Copper Limited ("market conditions").

The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the vesting conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date").

The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the directors, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for the period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification as measured at the date of modification.

Where an equity-settled award is cancelled (other than cancellation when a vesting condition is not satisfied), it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of the outstanding options is reflected as additional share dilution in the computation of loss per share (see note 22).

#### (j) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

##### *Interest*

Revenue is recognised as the interest accrues using the effective interest rate method (which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

# REDBANK COPPER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (k) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment loss. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

Depreciation is provided on a straight line basis on all plant and equipment. Major depreciation periods are:

Plant and equipment	2-5 years
Motor vehicles	3-5 years

#### Disposal

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

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

#### (l) Impairment of non-financial assets

At each reporting date, the entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the entity makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). The estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash generating unit.

#### (m) Taxation

##### (i) Income Tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

# REDBANK COPPER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

### (ii) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables are stated with the amount of GST included.

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

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

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

### (n) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

### (o) Earnings per share

Basic earnings per share is determined by dividing net profit or loss after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise of cash at bank and in hand and short term deposits with an original maturity of three months or less.

For the purposes of the statement of cash flows, cash includes cash on hand and in banks, as defined above (and money market investments readily convertible to cash on hand), net of outstanding bank overdrafts.

# REDBANK COPPER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### (q) Contributed Equity

Issued share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised, net of tax, directly in equity as a reduction of the share proceeds received.

### (r) Mine Development costs

Mine development expenditure represents the costs incurred in preparing the mine for recommissioning and production, and also includes other directly attributable costs incurred before production commences. These costs are capitalised to the extent they are expected to be recouped through successful exploitation of the related mining leases. Once production commences, these costs are amortised over the remaining lease term. The development costs are written off if the mine property is abandoned. Development costs incurred to maintain production are expensed as incurred against the related production.

### (s) Inventories

*Stores and spares, consumables, copper product on hand and in circuit.*

Stores and spares, copper product on hand and in circuit are stated at the lower of cost and net realisable value. Cost comprises, direct materials, direct labour and a proportion of indirect overhead expenditure allocated on the basis of relevant operating capacity. Costs are assigned to individual items of inventory on basis of weighed average cost. Costs of purchase inventory are determined after deducting applicable rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and to make the sale.

### (t) Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in short-term and long-term payables.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

### (u) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing. Interest calculated using the effective interest rate method is accrued over the period it becomes due and increases the carrying amount of the liability.

# REDBANK COPPER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (v) Other Financial Assets - Investments

##### *Classification*

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss and loans and receivables. Management determines the classification of its investments at initial recognition.

##### (i) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

##### (ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 6) in the balance sheet.

##### *Recognition and derecognition*

Regular purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

##### *Subsequent measurement*

Loans and receivables are carried at amortised cost using the effective interest method.

##### *Impairment*

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

#### (w) Borrowing costs

Borrowing costs incurred in relation to the provision of finance facilities are expensed in the period to which they were incurred, except when the borrowing costs are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of the asset.

#### (x) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

#### (y) Provision for rehabilitation

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provided at each reporting date.

CONSOLIDATED	
2011	2010
\$	\$

## REDBANK COPPER LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### 3. REVENUE

Other income		
- interest received	28,250	57,750
- sundry income	<u>32,975</u>	<u>8,988</u>
 Total Revenue	 <u>61,225</u>	 <u>66,738</u>

#### 4a. FINANCE COSTS

Finance Costs		
- Interest on premium funding	5,105	3,711
- Interest on obligations under finance leases	15,015	15,165
- Interest on convertible notes	21,357	8,384
- Interest on unsecured loan	71,679	69,379
- Other interest expense	4,277	4,845
- (Restatement)/Unwinding of discounts on provision for rehabilitation	-	(60,299)
- Other finance costs	<u>22,753</u>	<u>23,596</u>
	<u>140,186</u>	<u>64,781</u>

#### 4b. NET GAIN FROM WRITE BACK/OFF OF LIABILITIES/ASSETS

Recognition of foreign currency translation reserve	594,226	
Impairment of receivable from Fiji government	(80,287)	-
Write back of liabilities / provisions	<u>1,588,341</u>	<u>-</u>
	<u>2,102,280</u>	<u>-</u>

The above write off of assets and write back of liabilities relate to, Audesso Mining (Fiji) Ltd, a 100% controlled entity of Redbank Copper Ltd

As documented in Note 20, Audesso Mining (Fiji) Ltd is a non-core entity in the process of being liquidated. As there is no expectation of any surplus funds resulting from the liquidation to repay the liabilities and accordingly these have been written down to zero.

Write back of liabilities includes creditors of \$29,742, government debt of \$724,192 and reversal of rehabilitation provision of \$834,407.

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## NOTES TO THE FINANCIAL STATEMENTS

	<b>CONSOLIDATED</b>	
	<b>2011</b>	<b>2010</b>
	\$	\$
<b>5. INCOME TAX</b>		
<b>Loss before income tax</b>		
<i>The prima facie tax, using tax rates applicable in the country of operation, on operating loss differs from income tax provided in the financial statements as follows:</i>		
Accounting loss before income tax	91,746	3,364,233
At the Australian income tax rate of 30% (2010: 30%)	(27,524)	(1,009,270)
Expenditure not allowable for income tax purposes:		
Non-deductible expenses	12,328	128,675
Other deductible expenditure	(698,866)	(1,345,291)
Unused tax losses and offsets not recognised as deferred tax assets	714,062	2,225,886
Income tax benefit reported in the income statement	-	-
Set off of deferred tax liabilities pursuant to set off provisions		
Net unrecognised deferred tax assets	22,421,143	21,707,081
The deferred tax assets will only be obtained in the relevant tax jurisdiction if:		
(i) future assessable income tax is derived of a nature and of an amount sufficient to enable the benefit to be realised;		
(ii) the conditions for deductibility imposed by the tax legislation are complied with; and		
(iii) no changes in tax legislation adversely affect the Group in realising the benefit.		
includes Australian dollar equivalent of amounts in the jurisdiction of Fiji	-	7,035,583
(b) Income tax recognised directly in equity	-	-
<b>6. CASH AND CASH EQUIVALENTS</b>		
Cash at bank	6,225	793
Cash on deposit	-	25,935
Cash on hand	927	500
	7,152	27,228

# REDBANK COPPER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED	
	2011	2010
	\$	\$
<b>7. TRADE AND OTHER RECEIVABLES</b>		
<b>CURRENT</b>		
Fuel rebate	2,655	23,600
Other receivables (i)	-	200,000
Goods and services tax (GST) recoverable	17,663	48,478
Prepayments	78,270	97,712
	98,588	369,790
	98,588	369,790
(i) On 1 July 2007 the Company sold its interest in the Sarina/Mt Haden project in Queensland for \$500,000. On 14 December 2007 cash consideration of \$300,000 was received by the Company. The remaining \$200,000 of consideration receivable by the company was to be paid by the purchaser with shares to this value. On 31 March 2011, the Company received 2,222,222 shares in Luminus Systems Limited at \$0.045 per share, with a further 2,222,222 shares at \$0.045 per share received on 20 April 2011 in full settlement of the debt as per the Deed of Release.		
<b>NON CURRENT</b>		
Security deposits	261,252	330,603
Tenement deposits	105,000	105,000
Rental deposits	-	99,355
	366,252	534,958
	366,252	534,958
<b><u>Past due but not impaired</u></b>		
Up to one month	-	6,589
Over one month to three months	-	65,489
Over three months	-	200,000
	-	272,078
	-	272,078
<b>8. INVENTORIES</b>		
Lime	217,151	186,593
Diesel fuel – at cost	36,503	47,524
Stores and spares – at cost	6,750	6,750
	260,404	240,867
	260,404	240,867
<b>9. OTHER FINANCIAL ASSETS</b>		
<b>CURRENT – Fair value through Profit or Loss</b>		
Shares in Luminus Systems Ltd (ASX: LSL) – at market value (i)	266,668	-
	266,668	-
	266,668	-

(i) Refer to note 7 for details.

## 10. PLANT & EQUIPMENT

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## NOTES TO THE FINANCIAL STATEMENTS

	Plant and equipment	Mine plant and equipment	Motor Vehicles	Capital WIP	Equipment under finance lease	Motor Vehicles under finance lease	Rehab asset	TOTAL
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Gross carrying amount</b>								
<b>Balance at 1 July 2009</b>	545,407	1,320,412	32,293	930,416	-	-	135,211	2,963,739
Additions	241,635	54,547		198,331	52,282	151,621	5,908	704,324
Disposals	-	-	-	(901,913)	-	-	-	(901,913)
Asset reclassification adjustments	57,026	(189,412)	(32,293)			24,545		(140,134)
Transfer to plant and equipment	-	28,503	-	(28,503)	-	-	-	-
<b>Balance at 30 June 2010</b>	844,068	1,214,050	-	198,331	52,282	176,166	141,119	2,626,016
Additions	4,671	4,595	-	99,715	-	-	-	108,981
Disposals	-	-	-	(16,825)	-	-	-	-
Adjustments	-	-	-	-	-	-	(24,492)	(24,492)
Transfer to plant and equipment	-	141,955	-	(141,955)	-	-	-	-
<b>Balance at 30 June 2011</b>	848,739	1,360,600	-	139,266	52,282	176,166	116,627	2,710,505
<b>Accumulated depreciation and impairment</b>								
<b>Balance at 1 July 2009</b>	(482,489)	(854,115)	(8,668)	(901,913)	-	-	-	(2,247,185)
Disposals	-	-	-	901,913	-	-	-	901,913
Impairment losses charged to profit	-	-	-	-	-	-	-	-
Asset reclassification adjustments	(40,653)	173,040	8,668	-	-	(920)	-	140,135
Depreciation expense	(34,117)	(24,781)	-	-	(2,614)	(32,013)	-	(93,525)
<b>Balance at 30 June 2010</b>	(557,259)	(705,856)	-	-	(2,614)	(32,933)	-	(1,298,662)
Disposals	-	-	-	(16,750)	-	-	-	(16,750)
Impairment losses charged to profit	-	-	-	(75)	-	-	-	(75)
Asset reclassification adjustments	-	-	-	-	-	-	-	-
Depreciation expense	(43,469)	(34,022)	-	-	(10,456)	(39,637)	-	(127,584)
<b>Balance at 30 June 2011</b>	(600,728)	(739,878)	-	(16,825)	(13,070)	(72,570)	-	(1,443,071)
<b>Net book value</b>								
As at 30 June 2010	286,809	508,194	-	198,331	49,668	143,233	141,119	1,327,354
As at 30 June 2011	248,011	620,722	-	139,266	39,212	103,596	116,627	1,267,434

### CONSOLIDATED

#### 11. MINE DEVELOPMENT

	2011 \$	2010 \$
Carrying amount at beginning of year	2,643,458	456,325
Costs incurred during the year	1,091,562	2,187,133
Total mine development	3,735,020	2,643,458

Mine development costs represent intangible expenditure.

# REDBANK COPPER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

		<b>CONSOLIDATED</b>	
		<b>2011</b>	<b>2010</b>
		\$	\$
<b>12. DEFERRED EXPLORATION AND EVALUATION</b>			
Exploration and evaluation phases:			
Australia	9,491,925	8,256,935	
	<u>9,491,925</u>	<u>8,256,935</u>	
Exploration and evaluation – Australia			
Australia exploration and evaluation expenditure	8,256,935	6,492,587	
Tenement expenditure capitalised during the year	-	-	
Evaluation expenditure incurred during the year	-	-	
Evaluation expenditure expensed directly against profit	-	-	
Expenditure capitalised during the year	<u>1,234,990</u>	<u>1,764,348</u>	
	<u>9,491,925</u>	<u>8,256,935</u>	

**Notes**

- (i) The ultimate recoupment of costs carried forward for exploration expenditure is dependent upon the successful development and commercial exploitation, or sale, of the respective areas of interest.
- (ii) All the above costs represent intangible deferred exploration and evaluation expenditure.

### **13. TRADE AND OTHER PAYABLES**

**CURRENT**

Trade creditors and accruals	693,859	833,500
Directors and associated entities	32,700	57,960
Employee benefits	<u>52,981</u>	<u>50,248</u>
	<u>779,540</u>	<u>941,708</u>

a) Trade creditors and sundry payables are non-interest bearing and normally settled on 30 day terms.

b) Employee benefits represents PAYG payable and employee superannuation which are non-interest bearing

**NON-CURRENT**

Trade creditors and accruals	<u>-</u>	<u>736,303</u>
	<u>-</u>	<u>736,303</u>

A long term deferral of debt obligations to the Fijian Government until six months following re-commissioning of the Mt Kasi Mine was agreed by the Government Cabinet at a meeting held on 20 July 1998. At that time it was decided payments will be required to be made in twelve equal monthly instalments six months after production has commenced at the Mt Kasi Mine. This is a liability of a 100% controlled entity, Audesso Mining (Fiji) Ltd.

As documented in Note 20, Audesso Mining (Fiji) Ltd is a non-core controlled entity in the process of being liquidated and as such the liability will be dealt with accordingly from any Audesso Mining (Fiji) Ltd assets.

As there is no expectation of any assets resulting from the liquidation, the liability has been written down to zero.

### **14. INTEREST BEARING LOANS AND BORROWINGS**

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# REDBANK COPPER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### CURRENT

Bank overdraft	-	38,082
Finance leases	129,446	65,921
Other loan (i)	59,446	45,695
Unsecured loan (ii)	1,210,000	753,157
Convertible notes – La Jolla Cove (iii)	<u>516,660</u>	<u>-</u>
	<u>1,915,552</u>	<u>902,855</u>

### NON-CURRENT

Finance leases	-	114,431
Convertible notes – La Jolla Cove Investors Inc. (iii)	<u>-</u>	<u>239,467</u>
	<u>-</u>	<u>353,898</u>

- (i) This represents the company's insurance premium funding arrangement. The loan will be paid in full by the end of December 2011 (2010: December 2010) and has an effective annual interest rate of 5.65% (2010: 6.75%)
- (ii) Unsecured loan is a working capital loan from Stirling Resources Limited which is interest free. There are no repayment terms attached to this loan.
- (iii) During the 2010 financial year the Group entered to an agreement with La Jolla Cove Investors Inc for the issue of up to five convertible notes each with a face value of US\$1,500,000 to raise a maximum of US\$7,500,000. Interest on outstanding funds will be at an annual rate of 4.75%.

The convertible notes are convertible in whole or in part into ordinary fully paid shares at the election of the holder at any time at the lesser of AUD0.25 or 80% of the 3 lowest VWAP during the 21 trading days prior to the election to convert, subject to a floor price of AUD0.012 at which the Company may refuse conversion and redeem the convertible note at 150% of the outstanding face value. The outstanding note matures on 4 December 2011. Any unconverted balance as at 4 December 2011 will be repaid at face value to La Jolla Cove Investors Inc together with any accrued outstanding interest.

As at 30 June 2011 US\$3,000,000 (2010: US\$1,500,000) had been received. A partial conversion to equity for the value of AUD\$1,365,000 (US\$1,354,017) (2010: AUD\$1,255,000 (US\$1,136,250)) occurred during the year. The total value of the convertible notes outstanding as at 30 June 2011 including interest is AUD\$516,660.

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# REDBANK COPPER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED	
	2011	2010
	\$	\$
<b>15. PROVISIONS</b>		
<b>CURRENT</b>		
Employee benefits (i)	76,367	94,771
Environmental, restoration and rehabilitation	495,158	495,158
	<u>571,525</u>	<u>589,929</u>
<b>NON-CURRENT</b>		
Environmental, restoration and rehabilitation (ii)	116,627	975,526
	<u>116,627</u>	<u>975,526</u>

- (i) Employee benefits represents leave provisions which are non-interest bearing. Based on past experience the Group does not expect all employees to take the full amount of accrued leave within the next 12 months.
- (ii) \$834,407 of the comparative amount in 2010 relates to a provision of a 100% controlled entity, Audesso Mining (Fiji) Ltd. As documented in Note 20, Audesso Mining (Fiji) Ltd is a non-core controlled entity in the process of being liquidated and as such the liability will be dealt with accordingly from any surplus Audesso Mining (Fiji) Ltd assets. As there is no expectation of any surplus assets resulting from the liquidation, the liability has been written down to zero.

### Movements in environmental, restoration & rehabilitation provision:

Opening balance at 1 July	1,470,684	1,690,963
Restoration and rehabilitation costs	-	-
(Restatement)/Unwinding of discount	(24,492)	(60,299)
Reversal of restoration and rehabilitation provision	(834,407)	-
Recognition restoration and rehabilitation provision	-	5,908
Foreign exchange translation movement	-	(165,888)
Closing balance as 30 June	<u>611,785</u>	<u>1,470,684</u>

### 16. ISSUED CAPITAL

(a) Ordinary shares		
302,776,992 (2010: 147,777,477) ordinary fully paid shares	89,327,728	85,431,628
B Class		
nil (2010: 30) ordinary fully paid	-	300
	<u>89,327,728</u>	<u>85,431,928</u>

# REDBANK COPPER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

	<b>CONSOLIDATED</b>	<b>\$</b>
(b) Movements in ordinary share capital	<b>SHARES</b>	
<b>Balance 01 July 2009</b>	656,591,250	75,915,214
Share placement 30 July 2009 at \$0.015	100,000,000	1,500,000
Stirling Resources Ltd conversion of convertible note 31 July 2009 at \$0.02	50,000,000	1,000,000
Shares issued to past director 31 July 2009 at \$0.019	2,000,000	38,000
Options exercised 31 August 2009 at \$0.02	5,950,000	119,000
Share purchase plan 25 September 2009 at \$0.016	98,148,156	1,590,000
Share placement 26 October 2009 at \$0.013	136,700,000	1,708,750
Share buyback 18 November 2009 at \$0.018	(5,192,202)	(93,460)
Conversion of financing facility 22 December 2009 at \$0.017	91,684,353	1,558,634
La Jolla conversion of convertible note 23 December 2009 at \$0.0102	7,343,342	75,000
La Jolla conversion of convertible note 12 January 2010 at \$0.01	5,339,806	55,000
Share placement 20 January 2010 at \$0.01	125,000,000	1,250,000
La Jolla conversion of convertible note 22 January 2010 at \$0.01	10,679,612	110,000
La Jolla conversion of convertible note 29 January 2010 at \$0.009	11,702,128	110,000
La Jolla conversion of convertible note 19 February 2010 at \$0.007	38,888,889	280,000
La Jolla conversion of convertible note 4 March 2010 at \$0.006	38,135,593	225,000
	1,372,970,927	85,441,138
Consolidation of shares 11 March 2010 - 1 for 10	(1,235,673,508)	-
La Jolla conversion of convertible note 31 March 2010 at \$0.052	3,320,683	175,000
Shares issued for Consulting services fees 24 April 2010 at \$0.05	1,300,000	65,000
La Jolla conversion of convertible note 3 May 2010 at \$0.0384	5,859,375	225,000
Share issue costs	-	(474,510)
	147,777,477	85,431,628
<b>Balance 30 June 2010</b>		
La Jolla conversion of convertible note 5 July 2010 at \$0.0149	4,026,846	60,000
La Jolla conversion of convertible note 4 August 2010 at \$0.0154	5,519,481	85,000
La Jolla conversion of convertible note 8 September 2010 at \$0.016	2,187,500	35,000
Conversion of B class shares to ordinary shares 24 September 2010	30	300
La Jolla conversion of convertible note 24 September 2010 at \$0.0142	2,112,676	30,000
La Jolla conversion of convertible note 30 September 2010 at \$0.0142	3,521,127	50,000
La Jolla conversion of convertible note 14 October 2010 at \$0.014	4,285,714	60,000
La Jolla conversion of convertible note 12 November 2010 at \$0.0242	4,132,231	100,000
La Jolla conversion of convertible note 14 December 2010 at \$0.0203	3,694,581	75,000
La Jolla conversion of convertible note 5 January 2011 at \$0.0203	7,389,163	150,000
La Jolla conversion of convertible note at 24 January 2011 at \$0.0228	4,385,965	100,000
Conversion of SRE loan 24 January 2011 at \$0.034	75,877,529	2,579,836
La Jolla conversion of convertible note 4 February 2011 at \$0.0231	9,740,260	225,000
La Jolla conversion of convertible note 9 March 2011 at \$0.0177	6,779,661	120,000
La Jolla conversion of convertible note 31 March 2011 at \$0.0149	5,033,557	75,000
La Jolla conversion of convertible note 20 April 2011 at \$0.0148	6,756,757	100,000
La Jolla conversion of convertible note 31 May 2011 at \$0.0118	4,237,288	50,000
La Jolla conversion of convertible note 14 June 2011 at \$0.0094	5,319,149	50,000
Share issue costs	-	(49,036)
	302,776,992	89,327,728
<b>Balance 30 June 2011</b>		

# REDBANK COPPER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

(c) Movements in ordinary share capital – B class shares	CONSOLIDATED	
	SHARES	\$
Balance 30 June 2009	300	300
Consolidation of shares 11 March 2010 - 1 for 10	<u>(270)</u>	<u>-</u>
Balance 30 June 2010	30	300
Conversion of B class shares to ordinary shares	<u>(30)</u>	<u>(300)</u>
Balance 30 June 2011	<u>-</u>	<u>-</u>

Ordinary shares entitle the holder to participate in dividends in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly the Company does not have authorised capital nor par value in respect of its issued shares.

### CONSOLIDATED

(d) Movements in share options (listed and unlisted)

	22/03/2010		Options Balance	Weighted average exercise price \$	Expiry date
	Options Pre-Consolidation	Options Consolidated 1 for 10			
Balance 30 June 2009	22,294,444		22,294,444	0.034	
Options exercised before consolidation occurred on 22 March 2010	(5,950,000)		(5,950,000)	0.020	31/08/2009
Options lapsed/cancelled before consolidation occurred on 22 March 2010	(12,344,444)		(12,344,444)		
Balance before consolidation occurred	4,000,000		4,000,000		
Consolidation of balance of options	-	(3,600,000)	(3,600,000)		
			400,000		
Director options Issued 14 October 2009	2,500,000	(2,250,000)	250,000	0.500	30/06/2010
Director options Issued 14 October 2009	2,500,000	(2,250,000)	250,000	1.000	30/06/2011
Director options Issued 14 October 2009	2,500,000	(2,250,000)	250,000	1.500	30/06/2012
Employees options Issued 5 August 2009 and 22 Feb 2010	32,500,000	(29,250,000)	3,250,000	0.500	31/12/2011
Options to Glencore Issued 5 August 2009	4,000,000	(3,600,000)	400,000	0.100	30/06/2012
Employee options Issued 23 October 2009	4,000,000	(3,600,000)	400,000	0.500	31/12/2011
Director options Issued 23 October 2009	2,500,000	(2,250,000)	250,000	0.500	30/06/2012
Options lapsed/cancelled after consolidation occurred			(250,000)	0.500	
Balance at 30 June 2010	54,500,000	(49,050,000)	5,200,000	0.577	
Options lapsed/cancelled			(650,000)	0.975	
Balance at 30 June 2011			4,550,000	0.520	

The weighted average remaining contractual life for the share options outstanding as at 30 June 2011 is 0.60 years (2010: 1.50 years).

# REDBANK COPPER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### Capital Risk Management

When managing capital, management's objective is to safeguard the entity's ability to continue as a going concern as well as to maintain optimum returns to shareholders and benefits to other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Management has no current plans to reduce the capital structure through a share buy-back. The Group is not subject to any externally imposed capital restrictions.

	CONSOLIDATED	
	2011 \$	2010 \$
<b>17. RESERVES</b>		
a) Share option reserve		
Opening balance	1,650,547	1,450,132
Share based payments charge incurred in current year	-	238,415
Transfer to issued capital on exercise of options	-	(38,000)
Closing balance	<u>1,650,547</u>	<u>1,650,547</u>
b) Compound financial instrument reserve		
Opening balance	77,881	77,881
Movement during the year	-	-
Closing balance	<u>77,881</u>	<u>77,881</u>
c) Foreign currency translation reserve		
Opening balance	594,226	-
Movement during the year	(594,226)	594,226
Closing balance	<u>-</u>	<u>594,226</u>
	<u>1,728,428</u>	<u>2,322,654</u>

### Nature and purpose of reserves

- The option and share-based payment reserve represents the value of equity benefits provided to directors, employees as part of their remuneration and the value of services provided to the Group paid for by the issue of equity.
- The compound financial instrument reserve arose on the grant of options to Macquarie Bank Limited ("MBL") as approved by shareholders at the General Meeting held on 8 April 2005 being issued as a compound of the convertible re-financing facility provided by the bank. These options lapsed unexercised on 28 February 2008.
- The foreign currency translation reserve is for exchange differences that result from the translation of the net assets of the Group's foreign operations from their functional currency to the Group's presentation currency (i.e., AUD). These are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

### 18. REMUNERATION OF AUDITORS

Amounts paid or due and payable to the auditors for:

Auditing or reviewing the financial reports.	<u>105,500</u>	<u>110,900</u>
----------------------------------------------	----------------	----------------

No non-audit services were paid or payable to the auditors during the year ended 30 June 2011

# REDBANK COPPER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 19. RELATED PARTY DISCLOSURES

#### (a) Details of key management personnel

##### *Executive Directors*

B Morrin

##### *Non-executive directors*

K Vuleta

A Brown

N Goodall (appointed 17 December 2010, chairman since 22 March 2011 and resigned on 2 September 2011)

I Price (resigned 25 February 2011)

M Adams (appointed Non-executive director 23 July 2010, resigned 13 September 2010)

R Lurf (appointed Non-executive director 17 December 2010, resigned 4 February 2011)

#### (b) Compensation of key management personnel

##### Remuneration by category

##### *Key management personnel*

Short-term employee benefits

Post-employment employee benefits

Termination benefits

Share-based payment

	CONSOLIDATED	
	2011	2010
	\$	\$
Short-term employee benefits	303,617	331,604
Post-employment employee benefits	77,606	69,975
Termination benefits	-	250,000
Share-based payment	-	12,500
	<u>381,223</u>	<u>664,079</u>

#### (c) Option holdings of key management personnel

##### 30 June 2011

	Balance at 1 July 2010 or at date of appointment	Granted as remuneration	Options exercised	Options lapsed	Balance at the 30 June 2011	Balance vested at 30 June 2011
<b>Directors</b>						
B Morrin	1,000,000	-	-	(500,000)	500,000	500,000
N Goodall	-	-	-	-	-	-
K Vuleta	500,000	-	-	-	500,000	500,000
A Brown	-	-	-	-	-	-
I Price	-	-	-	-	-	-
M Adams	-	-	-	-	-	-
R Lurf	-	-	-	-	-	-

Option holdings for the following directors are from their respective dates of appointment:

N Goodall (appointed 17 December 2010)

M Adams (appointed 23 July 2010)

R Lurf (appointed 17 December 2010)

Option holdings for the following directors are to their respective dates of resignation:

I Price (resigned 25 February 2011)

M Adams (resigned 13 September 2010)

R Lurf (resigned 4 February 2011)

During the year ended 30 June 2011 there were no individuals (other than the directors) who were responsible for the strategic direction and management of the consolidated entity, hence no executives are named above in respect of this year.

# REDBANK COPPER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

	Balance at 1 July 2009	Granted as remuneration	Options exercised	1:10 consolidation	Balance at the 30 June 2010	Balance vested at 30 June 2010
<b>Directors</b>						
B Morrin	-	10,000,000	-	(9,000,000)	1,000,000	1,000,000
J Vitale	-	-	-	-	-	-
S Field	-	-	-	-	-	-
A Brown	-	-	-	-	-	-
B Siddall	-	-	-	-	-	-
D Searle	-	-	-	-	-	-
I Price	-	-	-	-	-	-
K Vuleta	5,000,000	-	-	(4,500,000)	500,000	500,000
M Kiernan	-	-	-	-	-	-

Option holdings for the following directors are from their respective dates of appointment:

A Brown (appointed 4 December 2009)

I Price (appointed 28 October 2009)

K Vuleta (appointed 9 October 2009)

Option holdings for the following directors are to their respective dates of resignation:

B Siddall (resigned 9 October 2009)

S Field (resigned 19 November 2009)

M Kiernan (resigned 18 June 2010)

D Searle (resigned 18 June 2010)

During the year ended 30 June 2010 there were no individuals (other than the directors) who were responsible for the strategic direction and management of the consolidated entity, hence no executives are named above in respect of this year.

### (d) Share holdings of key management personnel

Ordinary Shares in Redbank Copper Limited (number)

30 June 2011	Balance at 1 July 2010	On the exercise of options	Net change other	Share Consolidation	Balance at 30 June 2011
<b>Directors</b>					
B Morrin	292,593	-	-	-	292,593
N Goodall	1,500,000	-	-	-	1,500,000
K Vuleta	90,001	-	-	-	90,001
A Brown	-	-	-	-	-
I Price	-	-	-	-	-
M Adams	-	-	-	-	-
R Lurf	-	-	-	-	-

Share holdings for the following directors are from their respective dates of appointment:

N Goodall (appointed 17 December 2010)

M Adams (appointed 23 July 2010)

R Lurf (appointed 17 December 2010)

Share holdings for the following directors are to their respective dates of resignation:

I Price (resigned 25 February 2011)

M Adams (resigned 13 September 2010)

R Lurf (resigned 4 February 2011)

30 June 2010

Balance at

On the

Share

# REDBANK COPPER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

	1 July 2009	exercise of options	Net change other *	Consolidation	Balance at 30 June 2010
<b>Directors</b>					
B Morrin	2,000,000	-	925,926	(2,633,333)	292,593
S Field	633,668	-	-	(570,301)	63,367
A Brown	-	-	-	-	-
B Siddall	-	-	-	-	-
D Searle	-	-	-	-	-
I Price	-	-	-	-	-
K Vuleta	900,001	-	-	(810,001)	90,001
M Kiernan	184,191,191	-	(184,191,191)	-	-

\* Other changes during the year for Bruce Morrin include on-market purchases and shares issued pursuant to a disclosure document. Other changes for Michael Kiernan is to reflect his resignation from the company on 18 June 2010.

Share holdings for the following directors are from their respective dates of appointment:

A Brown (appointed 4 December 2009)

I Price (appointed 28 October 2009)

K Vuleta (appointed 9 October 2009)

Share holdings for the following directors are to their respective dates of resignation:

B Siddall (resigned 9 October 2009)

S Field (resigned 19 November 2009)

M Kiernan (resigned 18 June 2010)

D Searle (resigned 18 June 2010)

### (e) Share holdings of key management personnel (consolidated)

*B Class Shares in Redbank Copper Limited (number)*

There are no B class shares at the end of period for Redbank Copper Limited on 30 June 2011 (refer note 16c)

<b>30 June 2010</b>	Balance at 1 July 2009 or at date of appointment	On the exercise of options	Net change other *	Balance at 30 June 2010 or at date of resignation
<b>Directors</b>				
B Morrin	-	-	-	-
S Field	60	-	-	60
A Brown	-	-	-	-
B Siddall	-	-	-	-
D Searle	-	-	-	-
I Price	-	-	-	-
K Vuleta	-	-	-	-
M Kiernan	-	-	-	-

\* Other changes during the year include on-market purchases and shares issued pursuant to a disclosure document.

Share holdings for the following directors are to their respective dates of resignation –.

S Field (resigned 19 November 2009)

Except for equity issued as part of remuneration, all equity transactions with key management personnel have been entered into under terms and conditions no more favourable than those the consolidated entity would have adopted if dealing at arm's length.

### Loans to key management personnel

There were no loans to key management personnel during the financial year. (2010: \$0)

### Other transactions with directors

Transactions during the year between the consolidated entity and directors or their director-related entities are set out in Note 19(f).

## RELATED PARTY DISCLOSURES (continued)

# REDBANK COPPER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### (f) Transactions with related parties

- (i) On 24 January 2011, borrowings provided by Stirling Resources Ltd totalling \$2,579,836 (including interest) was converted at \$0.034 per share for 75,877,529 ordinary fully paid shares in Redbank Copper Ltd.

### (g) Transactions with related parties in the wholly owned group

During the financial year, unsecured loan advances were made between the parent entity and its controlled entities. All such loans were interest free. Intra-entity loan balances have been eliminated in the financial report of the consolidated entity.

## 20. INVESTMENTS IN CONTROLLED ENTITIES

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2011	2010
			%	%
Redbank Operations Pty Ltd	Australia (ii)	Ordinary	100	100
Volley Oil Pty Ltd	Australia (ii) (iii)	Ordinary	100	100
Tennscourt Oil Pty Ltd	Australia (i) (ii)	Ordinary	100	100
Leeturn (No 164) Pty Ltd	Australia (i) (ii)	Ordinary	100	100
Nationwide Pacific Pty Limited	Australia (i) (ii)	Ordinary	100	100
Audesso Limited	Australia (i) (ii)	Ordinary	100	100
Audesso Mining (Fiji) Ltd	Fiji (v)	Ordinary	100	100
Pacific Islands Gold (Fiji) Ltd	Fiji (iv)	Ordinary	100	100
Pacific Islands Gold de Mexico de SACV	Mexico (i)	Ordinary	100	100
ICE Interactive Pty Ltd	Australia (i) (ii)	Ordinary	100	100
eMAX Entertainment Pty Ltd	Australia (i)	Ordinary	100	100

The issued shares of these entities are held in trust for the Company and the Company is the sole beneficial owner of these entities.

- i) Deregistered on 17 July 2011.  
ii) These entities are members of the tax consolidated group of which Redbank Copper is the head entity.  
iii) Dormant Company  
iv) Deregistered on 3 September 2011  
v) In liquidation

# REDBANK COPPER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 21. SEGMENT INFORMATION

The Group has adopted AASB 8 Operating Segments with effect from 1 July 2009. AASB 8 requires a “management approach” under which operating segment information is presented on the basis as that used for internal reporting purposes and are reviewed by the Board (chief operating decision maker) in order to allocate resources to the segment and to assess its performance.

The predecessor standard (AASB114 Segment Reporting) required segment information to be reported on a geographical and business basis. Even though ultimately all of the assets of the Company are deployed for these purposes, segments have now been identified for those specifically allocated to the ongoing care and maintenance and mine development work, exploration activities and the remainder allocated to corporate.

The Group operates in one geographical segment – Australia. Although there are controlled entities within the Group with operations outside Australia, these are no longer operating and are in the process of deregistration or liquidation where relevant.

SEGMENTS	Copper Development	Exploration	Corporate	Consolidated
Year ended 30 June 2011	\$	\$	\$	\$
<b>Segment revenue</b>	-	-	61,225	61,225
<b>Segment result</b>	(792,701)	-	106,729	(685,972)
Unallocated expenses	-	-	-	-
<b>Profit (loss) for the year</b>				(685,972)
<b>Segment Assets</b>	2,432,631	9,491,925	3,568,887	15,493,443
<b>Segment Liabilities</b>	(541,510)	(254,330)	(2,587,404)	(3,383,244)
<b><u>Included within segment loss:</u></b>				
Depreciation and amortisation	(128,977)	-	1,393	(127,584)
Interest expense	(19,235)	-	(98,198)	(117,433)
Interest revenue	-	-	28,250	28,250
Net gain on financial assets fair valued through P&L	-	-	66,667	66,667
Gain from reversal of liabilities / assets	-	-	1,508,054	1,508,054
<b>Additions to non-current assets</b>	40,000	64,310	4,671	108,981
<b>SEGMENTS</b>	<b>Copper Development</b>	<b>Exploration</b>	<b>Corporate</b>	<b>Consolidated</b>
<b>Year ended 30 June 2010</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Segment revenue</b>	32,376	-	34,362	66,738
<b>Segment result</b>	(1,444,411)	-	(1,919,822)	(3,364,233)
Unallocated expenses	-	-	-	-
<b>Profit (loss) for the year</b>				(3,364,233)
<b>Segment Assets</b>	4,377,318	8,256,935	766,337	13,400,590
<b>Segment Liabilities</b>	(629,621)	(64,901)	(3,805,697)	(4,500,219)
<b><u>Included within segment loss:</u></b>				
Depreciation and amortisation	(3,897)	-	(8,501)	(12,398)
Interest expense	(20,747)	-	(80,737)	(101,484)
Interest revenue	29,963	-	27,788	57,750
<b>Additions to non-current assets</b>	643,733	60,591	-	704,324

# REDBANK COPPER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

	Consolidated	
	2011	2010
	\$	\$
<b>22. LOSS PER SHARE</b>		
Basic loss per share (cents per share)	0.001	2.98
Dilutive loss per share (cents per share)	0.001	2.98

The following reflects the earnings and average number of ordinary shares and potential ordinary shares used in the calculation of basic and diluted earnings per share:

Loss used in calculating basic and diluted loss per share	<u>(91,746)</u>	<u>(3,364,233)</u>
Weighted average number of ordinary shares used in the calculation of basic loss per share	<u>88,289,958</u>	<u>112,993,149</u>

Effect of dilutive securities:

There is no impact of dilutive shares as the consolidated entity made a loss for the year, hence any dilution would reduce the loss per share. Diluted earnings per share is therefore the same as basic loss per share.

### 23. CONTINGENT LIABILITIES

There are no material contingent liabilities of the Group at the reporting date.

### 24. SUBSEQUENT EVENTS

The significant events which have occurred subsequent to the end of the year other than have been disclosed in the financial report are:

- (i) La Jolla Cove Investors made partial conversions under its convertible note facility. In accordance with the terms of the convertible note, 37,516,486 ordinary fully paid shares for a value of USD 296,686 (AUD 280,000) were issued to La Jolla Cove Investors.
- (ii) On 2 September 2011, Mr Nigel Goodall resigned as non-Executive Chairman of the Company.
- (iii) On 30 September 2011 the Company agreed to terms for a Private Placement Facility totalling \$1,500,000 to \$2,250,000 in the aggregate and a Committed Equity Facility totalling \$10,000,000 with Chimaera Equity Market Neutral Fund of Australia(Chimaera);

There are no other significant events which have occurred subsequent to the end of the year other than have been disclosed in the financial report.

#### Risk exposures and responses

### (a) 25. FINANCIAL INSTRUMENTS

~~Interest Rate Risk~~  
The Group's exposure to market risk for change in interest rates relates primarily to their interest bearing liabilities. The level of debt is disclosed in Note 14.

The Group's principal financial instruments comprise cash, receivables, payables and loans.

The Group manages its exposure to key financial risks in accordance with the group's financial management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

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

Primary responsibility for identification and control of financial risks is borne between the board members and executive management.

# REDBANK COPPER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

The Group has negotiated unsecured loan facilities with Stirling Resources Limited, which is interest free. Therefore, there is no interest rate exposure for this unsecured loan facility.

The Group continually monitors interest rate exposure and should interest rates rise significantly, given the cash reserves and future cash flows of the Group, It has an ability to repay the interest bearing facilities.

The following sensitivity analysis is based on the interest rate exposures in existence at the balance sheet date.

At 30 June 2011, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements	Post tax profit higher / (lower)	
	2011	2010
Consolidated		
+ 1% (100 basis points)	(6,984)	(4,000)
- 1% (100 basis points)	6,984	4,000

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances for the year.

### (b) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of the instruments. Exposure at balance date is addressed in each applicable note.

The Company aims to minimise concentration of credit risk in relation to trade receivable by undertaking transactions with government corporations and in relation to loans to other parties by regular weekly monitoring of accounts by the group accountant and Managing Director.

Credit risk in trade receivables is managed in the following ways:

- payment terms are 30 days for receivables other than loans.
- a regular risk review takes place on all receivables and loan balances
- a thorough continuing assessment process with all loan receivables

# REDBANK COPPER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 25. FINANCIAL INSTRUMENTS (continued)

#### (c) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans and other available credit lines.

The Group manages liquidity risk by monitoring forecast cash flows.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities as of 30 June 2010. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2010.

#### Maturity analysis of financial assets and liabilities based on management's expectations.

Trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations. These assets are considered in the Group's overall liquidity risk. To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, the Company has established comprehensive risk reporting covering its business that reflects expectations of management of expected settlement of financial assets and liabilities.

#### 30 June 2011

Consolidated	Weighted average effective interest rate %	< 6 months \$	6 - 12 months \$	1 - 5 years \$	>5 years \$	Total \$
<b>Financial assets</b>						
Cash and cash equivalents		7,152	-	-	-	7,152
Trade and other receivables	5.50	-	-	366,252	-	366,252
Other financial assets		-	266,668	-	-	266,668
		7,152	266,668	366,252	-	640,071
<b>Financial liabilities</b>						
Trade and other payables		726,559	-	-	-	726,559
Interest bearing loans and borrowings	5.65	-	576,107	129,446	-	705,553
Non-interest bearing loans and borrowings		-	1,210,000	-	-	1,210,000
		726,559	1,786,107	129,446	-	2,642,112
<b>Net Maturity</b>		(719,407)	(1,519,439)	236,806	-	(2,002,041)

#### 30 June 2010

Consolidated	Weighted average effective interest rate %	< 6 months \$	6 - 12 months \$	1 - 5 years \$	>5 years \$	Total \$
<b>Financial assets</b>						
Cash and cash equivalents		27,655	-	-	-	27,655
Assets available for sale		-	-	-	-	-
Trade and other receivables	4.37	271,651	-	534,958	-	806,609
Other financial assets		-	-	-	-	-
		299,306	-	534,958	-	834,264
<b>Financial liabilities</b>						
Cash and cash equivalents		38,082	-	-	-	38,082
Trade and other payables		941,708	-	736,303	-	1,678,011
Non-interest bearing loans and borrowings	10.26	-	902,855	353,898	-	1,256,753
		-	-	-	-	-
		979,790	902,855	1,090,201	-	2,972,846
<b>Net Maturity</b>		(680,484)	(902,855)	(555,243)	-	(2,138,582)

# REDBANK COPPER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 25. FINANCIAL INSTRUMENTS (continued)

- (d) Price risk  
The Group's exposure to commodity risk is minimal, however commodity risk will be a factor when copper mining operations recommence.

Equity securities price risk arises from investments in equity securities. The Group has no exposure to equity securities.

- (e) Foreign exchange risk  
Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign exchange risk arises when future commercial transactions and recognised financial assets and financial liabilities are denominated in a currency that is not the Group entity's functional currency.

The objective of the Group's foreign exchange risk management policy is to ensure its financial viability despite potential periods of unfavourable exchange rates. Regular sensitivity analysis is conducted to evaluate the potential impact of unfavourable exchange rates on the Group's future financial position. The results of this evaluation are used to determine the most appropriate risk mitigation tool to be used.

The Group has minor non-core operations in Fiji and is exposed to foreign exchange risk arising from currency exposures to Fiji dollars. The Group does not manage this risk. These non-core controlled entities are in the process of being liquidated or deregistered and as such the liability will be dealt with accordingly from any surplus Audesso Mining (Fiji) Ltd assets. As there is no expectation of any surplus assets resulting from the liquidation, the liability has been written down to zero.

No foreign currency hedging transactions were entered into during the financial year or prior financial year.

The Group's exposure to foreign exchange risk at 30 June 2011 was as follows:

#### Group & parent

	30 June 2011	30 June 2010	30 June 2011	30 June 2010
	FJD \$	FJD \$	USD \$	USD \$
	AUD \$	AUD \$	AUD \$	AUD \$
Cash & cash equivalents				
Loans & receivables	-	(1,588,341)	-	-
Trade & other payables	-		-	-

For the year ended and as at 30 June 2011, if the Fiji dollar currency set out in the table below, strengthened or weakened against the Australian dollar by the percentage shown, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post tax profit higher / (lower) FJD		Post tax profit higher / (lower) USD		Other Equity higher / (lower)	
	2011	2010	2011	2010	2011	2010
Judgements of reasonably possible movements	\$	\$	\$	\$	\$	\$
Consolidated						
+ 10% change in currency	-	(134,080)	-	-	-	-
- 10% change in currency	-	134,080	-	-	-	-

- (f) Fair value estimation  
The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as trading securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature.

# REDBANK COPPER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED	
	2011	2010
	\$	\$
<b>26. CASH FLOW STATEMENT</b>		
<b>a) Reconciliation of cash</b>		
Cash balances comprise:		
Cash at bank	9,312	793
Cash on deposit	-	25,935
Cash on hand	927	500
Bank overdraft	<u>(3,087)</u>	<u>(38,082)</u>
	<u>7,152</u>	<u>(10,854)</u>
For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.		
<b>b) Reconciliation of net cash outflow from operating activities to loss after income tax</b>		
Loss after income tax	(91,746)	(3,364,233)
Depreciation and amortisation	127,584	12,398
Fair value adjustment of financial assets	(66,667)	-
Write off non-current asset	-	25,000
Net gain from write back/off liabilities/assets	(2,102,280)	-
Share based payments	-	238,415
Changes in operating assets and liabilities:		
Decrease / (increase) in receivables	51,761	17,814
Decrease / (increase) in prepayments	19,441	(42,749)
Increase/ (decrease) in payables	(160,225)	(1,009,713)
Increase/ (decrease) in employee entitlements	<u>(15,798)</u>	<u>(13,152)</u>
Net cash outflow from operating activities	<u>(2,237,930)</u>	<u>(4,136,220)</u>
<b>a) Financing facilities available</b>		
At reporting date, the following financing facilities were available:		
<i>Bank overdraft facility (unsecured)</i>		
Total facility	50,000	50,000
Used at reporting date	(3,087)	(38,082)
Facility unused at reporting date	<u>46,913</u>	<u>11,918</u>

### Non-Cash transactions

During the 2011 financial year the Group entered into the following non-cash financing and investing transactions which are not reflected in the statement of cash flows:

- On 24 January 2011, the debt facility provided by Stirling Resources Ltd of \$2,579,836 (includes interest of \$89,836) was converted at \$0.034 per share for 75,877,529 ordinary fully paid shares in Redbank Copper Ltd
- La Jolla Cove Investors made partial conversions under its convertible note facility. In accordance with the terms of the convertible note, 79,121,956 ordinary fully paid shares for a value of USD 1,354,108 (AUD 1,365,000) were issued to La Jolla Cove Investors.

CONSOLIDATED

# REDBANK COPPER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

	<b>2011</b>	<b>2010</b>
	\$	\$
<b>27. EXPENDITURE COMMITMENTS</b>		
<b>(a) Operating leases (non-cancellable)</b>		
Minimum lease payments		
- not later than one year	-	129,876
- later than one year but not later than five years	-	-
- greater than five years	-	-
	-	129,876

	<b>2011</b>		<b>2010</b>	
	Minimum lease payments	Present value of lease payments	Minimum lease payments	Present value of lease payments
	\$	\$	\$	\$
<b>(b) Finance leases</b>				
<b>Consolidated entity and parent entity</b>				
Within one year	65,921	56,034	65,921	50,906
After one year but not more than five years	77,874	73,412	143,795	129,446
Greater than five years	-	-	-	-
Total minimum lease payments	143,795	129,446	209,716	180,352
Less amounts representing future finance charges	(14,349)	-	(29,364)	-
Present value of minimum lease payments	129,446	129,446	180,352	180,352

Finance leases consist of leased plant and equipment with terms of between 1 and 5 years.

- (c) Tenement expenditure proposed**  
 Estimated lease rentals and exploration expenditure required to meet minimum expenditure requirements of the various Mines Departments in Australia to maintain current rights of tenure to mining and exploration tenements.

	<b>CONSOLIDATED</b>	
	<b>2011</b>	<b>2010</b>
	\$	\$
Minimum lease payments		
- not later than one year	1,800,000	1,642,000
- later than one year but not later than five years	-	-
- greater than five years	-	-
	1,800,000	1,642,000

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# REDBANK COPPER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 28. SHARE BASED PAYMENTS

There were no share based payments during the period.

#### Employee Share Option Plan.

The establishment of the Redbank Copper Limited Employee Share Option Plan was approved by shareholders at the Redbank Copper Limited general meeting of shareholders on 10 July 2009. This plan is designed to provide long term incentives to senior management and employees to deliver long term shareholder returns.

Any option issues are made in accordance with thresholds set in plans approved by shareholders, the share option plan and share purchase plan. Options are granted under the plan for no consideration and carry no dividend or voting rights.

The following share based payment arrangements were in existence during the current reporting year:

Options series	Number (i)	Grant date	Expiry date	Vesting date	Exercise price	Fair value at grant date
					\$	\$
(1) Issued 22 February 2008	400,000	22/02/08	30/01/11	22/02/08	0.96	0.364
(5) Issued 14 October 2009	250,000	14/10/09	30/06/11	14/10/09	1.00	0.003
(6) Issued 14 October 2009	250,000	14/10/09	30/06/12	14/10/09	1.50	0.004
(7) Issued 5 August 2009	2,750,000	5/08/09	30/12/11	5/08/09	0.50	0.045
(8) Issued 5 August 2009	400,000	5/08/09	30/06/12	5/08/09	0.10	0.130
(9) Issued 23 October 2009	400,000	23/10/09	31/12/11	23/10/09	0.50	0.028
(10) Issued 23 October 2009	250,000	23/10/09	30/06/12	23/10/09	0.50	0.039
(11) Issued 22 February 2010	500,000	22/02/10	31/12/11	22/02/10	0.50	0.002

#### Fair value of share options granted in the year

There were no share options granted during the financial year (2010: no options were granted).

# REDBANK COPPER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### Movements in share options during the year

The following reconciles the share options outstanding at the beginning and end of the year:

	2011		2010	
	Number of options (i)	Weighted average exercise price	Number of options (i)	Weighted average exercise price
		\$		\$
Balance at beginning of year	5,200,000	\$0.577	4,000,000	\$0.093
Consolidation - 1 for 10	-		(3,600,000)	
	5,200,000		400,000	\$0.93
Granted during the year (i)	-		5,050,000	\$0.50
Forfeited during the year	-		-	-
Exercised during the year	-		-	-
Expired during the year	(650,000)	\$0.975	(250,000)	\$0.50
Balance at end of year	4,550,000	\$0.520	5,200,000	\$0.577
Exercisable at end of year	4,550,000	\$0.520	5,200,000	\$0.577

(i) All the 2010 options movements since the beginning of the year are on a post consolidation basis

### Share options exercised during the year

#### 2011

There were no employee options exercised during the 2011 year.

#### 2010

There were no employee options exercised during the 2010 year.

# REDBANK COPPER LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 29. PARENT ENTITY INFORMATION

#### (a) Financial Position

	2011	2010
	\$	\$
<b>Assets</b>		
Current assets	81,895	94,011
Non-current assets	3,135,611	3,244,300
Total assets	3,217,506	3,338,311
<b>Liabilities</b>		
Current liabilities	2,601,490	2,047,189
Non-current liabilities	-	239,467
Total liabilities	2,601,490	2,286,657
<b>Equity</b>		
Issued capital	89,327,728	85,431,928
Retained earnings	(90,440,140)	(86,108,702)
<b>Reserves</b>		
Compound financial instrument reserve	77,881	77,881
Share option reserve	1,650,547	1,650,547
Total equity	616,016	1,051,654
<b>(b) Financial performance</b>		
Profit/(Loss) for the year	(4,331,438)	(2,061,246)
Other comprehensive income	-	-
Total loss for the year	(4,331,438)	(2,061,246)
<b>(c) Guarantees entered into by the parent entity in relation to the debts of its subsidiaries</b>		
	-	-
<b>(d) Contingent liabilities of the parent entity</b>		
	-	-
<b>(e) Commitments for the acquisition of property, Plant and equipment by the parent entity</b>		
	-	-

## REDBANK COPPER LIMITED

### DECLARATION BY DIRECTORS

In the opinion of the Directors:

1. the financial statements and notes are in accordance with the Corporations Act 2001, including:
  - (a) complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (b) giving a true and fair view of the Company's and Group's financial position as at 30 June 2011 and of their performance for the financial year ended on that date; and
2. at the date of this declaration and as set out in Note 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; and
3. the directors' opinion, the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

The Directors have been given the declaration by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

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



Keith Vuleta  
Director

Perth, Western Australia  
30 September 2011

REDBANK COPPER LIMITED

INDEPENDENT AUDITOR'S REPORT

**Deloitte.**

Deloitte Touche Tohmatsu  
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The Board of Directors  
Redbank Copper Limited  
Level 1, 143 Hay Street Subiaco  
PERTH WA 6008

30<sup>th</sup> September 2011

Dear Board Members

**Redbank Copper Limited**

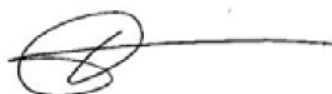
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Redbank Copper Limited.

As lead audit partner for the audit of the financial statements of Redbank Copper Limited for the financial year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

*Deloitte Touche Tohmatsu*  
DELOITTE TOUCHE TOHMATSU



**Leanne Karamfiles**  
Partner  
Chartered Accountant

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

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# Deloitte.

## *Auditor's Independence Declaration*

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 Redbank Copper Limited would be in the same terms if given to the directors as at the time of this auditor's report.

## *Opinion*

In our opinion:

- (a) the financial report of Redbank Copper Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

## *Material Uncertainty Regarding Continuation as a Going Concern*

Without qualifying our opinion, we draw attention to Note 2 in the financial report which indicates that the consolidated entity has incurred net losses of \$91,746 and experienced net cash outflows from operating and investing activities of \$4,489,245 for the year ended 30 June 2011. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's and company's ability to continue as going concerns and therefore, the consolidated entity and company may be unable to realise their assets and extinguish their liabilities in the ordinary course of business, and at the amounts stated in the financial statements.


## **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 4 to 8 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## *Opinion*

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

*Deloitte Touche Tohmatsu*  
DELOITTE TOUCHE TOHMATSU

  
Leanne Karamfiles  
Partner  
Chartered Accountants  
Perth, 30 September 2011