RED GUM RESOURCES

ACN: 119 641 986

ANNUAL REPORT
30 JUNE 2009

CONTENTS

DIRECTORS' REPORT

Your directors present their report, together with the financial report on Red Gum Resources Limited ("Company") for the financial year ended 30 June 2009.

Current directors

The names of each person who has been a director during the year and to the date of this report are:

Dr Raymond Shaw – Non-Executive Chairman (appointed on 11 May 2006)

Dr Shaw has over 25 years experience in the resources sector. Dr Shaw trained as a geophysicist and worked initially with Shell Development Australia Pty Ltd. In 1983 he became a principal of a geophysical consulting firm in Sydney, prior to becoming Vice-President and resident director of the Swiss based international consulting firm, Petroconsultants Far East Pte Ltd, based in Singapore. Upon returning to Australia he became involved in the relisting of Vam Limited as Hillgrove Gold N.L. for which he was a director during 1993 – 1995. From 1996 until 2002 Dr Shaw was a part time consultant to the New South Wales Department of Mineral Resources. He has been a team leader of AusAid and Asian Development Bank resource projects for Vanuatu and Sri Lanka, respectively. He was foundation Managing Director of Great Artesian Oil and Gas Limited until March 2007. In May 2007 he was appointed Executive Chairman of Enterprise Energy Limited, where he oversaw the acquisition of Bandanna Coal Pty Ltd for approx $250m. He is currently the Managing Director of Bandanna Energy Ltd.

He has been a Member of the Australasian Institute of Mining and Metallurgy for over 25 years, and is a member of both the American Association of Petroleum Geologists and the Petroleum Exploration Society of Australia.

Dr Shaw holds qualifications of Bachelor of Science (First Class Honours) and Doctorate of Philosophy degrees from the University of Sydney and a Diploma in Law from the New South Wales Solicitors and Barristers Board, a Graduate Diploma in Legal Studies (UTS) and has been admitted as a Legal Practitioner of the New South Wales Supreme Court (currently non-practicing).

Mr Torey Marshall – Managing Director (appointed on 16 June 2007)

Mr Marshall is a Director of Earth Heat Pty Ltd and Polymetallic Exploration Pty Ltd. In 2005 he formed Vibrante Solutions Pty Ltd for the purposes of identifying, developing and promoting both hard and soft rock opportunities. From the late 1990's until 2002 he was involved in various contract roles as a mineral exploration geologist, being responsible for field supervision and planning of exploration drilling programs. From 2002 to 2005 he was a geologist with the Northern Territory Geological Survey, based in Darwin. During this time he developed his interest in structural geology and halotectonics. He has authored or co-authored 10 technical publications on various structural and exploration aspects of the Amadeus Basin. Until recently Torey was a senior geologist with Great Artesian Oil and Gas Limited where he was involved in developing exploration strategies and evaluating and identifying new ventures.

Mr Marshall holds a B.Sc (Hons) from the University of South Australia, and is a Chartered Professional Geologist of the Australasian Institute of Mining and Metallurgy, a member of the Geological Society of Australia and American Association of Petroleum Geologists.

Mr Norman Zillman – Non-Executive Director (appointed on 11 May 2006)

Mr Zillman is a professional geologist with 40 years experience in mining, petroleum, and coal exploration and production in Australia and internationally. He is currently Chairman of China Yunnan Australia Copper Limited (CYU) and Burleson Energy Limited (BUR) and Hot Rock Limited (HRL).

His initial experience was as a petroleum geologist with international companies Aquitaine Petroleum in New Guinea and Australia and Union Oil Company of California in Australia and Indonesia. Mr Zillman has occupied the positions of Deputy General Manager of Crusader Limited, General Manager Exploration and Production of Beach Petroleum N.L. and Claremont Petroleum Limited and Manager of the Petroleum Branch of the Queensland Department of Mines and Energy and State Mining Engineer for Petroleum.

More recently Mr Zillman has been responsible for a number of successful public resource floats on the Australian Stock Exchange (ASX). He was the inaugural Managing Director and Founder of Coal Bed Methane (CBM) company, Queensland Gas Company Limited (QGC), Chairman and Founder of conventional oil and gas company Great Artesian Oil and Gas Limited (GOG) and Chairman of Blue Energy Limited.

DIRECTORS' REPORT

Company secretary

Mr Malcolm Lucas-Smith was appointed Company Secretary of Red Gum Resources Limited on 1 February 2008. He has over 40 years experience in finance, executive and non executive management, property development, corporate secretarial and administrative services. During that period he spent 12 years with State Bank of New South Wales and 18 years with the property finance and the property joint venture division of Australian Guarantee Corporation Limited (AGC), at the time a listed subsidiary of Westpac Bank. He left AGC of his own accord in September 1987 to form a corporate service business and has since worked with and consulted to the corporate sector often assisting new start ups and existing operations proposing to list on the Australian Securities Exchange (ASX). He is currently Company Secretary for ASX Medivac Limited. Mr Lucas-Smith is a member of the Australian Institute of Company Directors (MAICD).

Meeting of directors

During the financial year, 2 meeting of directors were held. Attendance by each director during the year is as follows:

	Directors' meetings	
	No. eligible to attend	**No. attended**
Dr Raymond Shaw	2	2
Mr Torey Marshall	2	2
Mr Norman Zillman	2	2

Given the size of the board and the Company, the board does not consider that separate committees are required; this matter will be reviewed by the board on a regular basis.

Operating results

The net loss of the Company for the financial year ended 30 June 2009 was $125,323 (2008: $62,127).

Review of activities

Exploration activities

During the year $70,250 (2008: $73,825) tenement expenditure was capitalised and $51,931 (2008: $2,201) was written off.

During the previous financial year the entity acquired exploration licences 25213, 25144, 25145 & 26433 from Polymetallic Exploration Pty Ltd. These permits were transferred to the Company and since that time have been the focus of ongoing desktop studies, land access negotiations and exploration programme planning. The Company is currently waiting for the sacred site clearances to be undertaken by the Central Lands Council (as representatives for Traditional Owners), prior to embarking on its first major exploration program. This program will involve substantial geochemical data acquisition and geological reconnaissance work. Equally, the Global Financial Crisis (GFC) has resulted in severe delays for the Company to be able to properly explore these areas. The Board regularly review licences and may relinquish exploration licences 25144 and 25145 in the new financial year.

The Company also acquired ELA's 26365, 26366 & 26385 from Dr. Ray Shaw in the prior year and has been progressing land access negotiations with the Central Lands Council. A land access agreement is required for the applications to be granted and become exploration licences.

Pursuant to a Letter of Intent, the Company acquired the Cerro Huancash (1 licence) and Chongos (3 licences) projects located in Peru, from private interests. Since acquisition the Company has been pursuing finalisation of the purchase agreement as required in conditions precedent to the transaction. The Company has paid the rentals due on the properties to keep them in good financial standing with the Peruvian Government. There is no minimum work program that the Company must undertake to retain a 100% interest in the properties. A detailed due diligence report was commissioned and received by the Company, and settlement for the purchase of these properties will occur prior to the end of 2009. An exploration program will be undertaken after completion of the purchase and subject to future funding capacities.

DIRECTORS' REPORT

Corporate activities

On the 9 October 2008 the Company registered as a public company. There were no other significant corporate activities during the year ended 30 June 2009.

During the prior year the Company issued the following shares:

- 27,999,000 ordinary founder shares raising $27,999
- 3,650,000 ordinary 1st tier seed capitalist shares raising $365,000

Significant changes in state of affairs

There were no significant changes in the state of affairs of the Company during the year apart from those referred to elsewhere in this report.

Principal activities

Red Gum Resources Limited's ("the Company") principal activity was global mineral exploration and the accumulation and acquisition of prospective areas.

The Company is focusing on the central Peruvian Polymetallic Belt and the Northern Territory because of the presence of (in Peru), and the potential for the discovery of large base metal (Cu-Pb-Zn-Ag) and copper-gold deposits is exceptional. Its exploration portfolio will be actively managed and rationalised as part of the corporate transaction process, ensuring only the best projects are retained and explored.

The Company has spent significant time identifying and negotiating potential material transactions in the gold sector. Unfortunately, the downturn in the global markets precluded the Company from raising requisite monies to enable it to settle on certain major transactions.

Events subsequent to balance date

Exploration activity that has occurred subsequent to the Balance Date is as follows:

- Continues to explore areas where it holds an interest and to develop new business opportunities
- Consideration of additional capital raisings and structure

There have been no other matters or circumstances subsequent to the end of the year that has significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

Future developments

The likely future developments of the Company during the next financial year will involve the ongoing principal activity of mineral sector in general.

The Company will continue to pursue their gold portfolio plan which includes finalising at least 2 material transactions that will result in a maiden resource. The Company will also undertake rationalisation of the existing portfolio, likely those EL's located in the Northern Territory, and apply for additional gold exploration ground in another jurisdiction.

Dividends

No dividends were paid or declared since the start of the year. No recommendation for payment of dividends has been made.

Indemnification

The Company is required to indemnify the directors and other officers of the Company against any liabilities incurred by the directors and officers that may arise from their position as directors and officers of the Company. No costs were incurred during the year pursuant to this indemnity.

DIRECTORS' REPORT

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporation Act 2001* for leave to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. There were no such proceedings brought or responsibility on behalf of the Company for all or part of those proceedings. There were no such proceedings brought or interventions on behalf of the Company with leave from the Court under section 237 of the Corporation Act 2001. The Company has entered into a deed of indemnity with each director whereby, to the extent permitted by the Corporations Act 2001, the Company agreed to indemnify each director against all loss and liability incurred as an officer of the Company, including all liability in defending any relevant proceedings.

Dated at Sydney this 2nd October 2009.
Signed in accordance with a resolution of the directors made pursuant to s.298(2) of the Corporations Act 2001.

Dr Raymond D Shaw
Non-Executive Director and Chairman

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AUDITOR'S INDEPENDENCE DECLARATION

Declaration of independence to the Directors of Red Gum Resources Limited

As lead auditor of Red Gum Resources Limited for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

KS Black & Co
Chartered Accountants

Stuart H. Cameron

Stuart H. Cameron
Partner

Sydney, 2 October 2009

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Income statement
For the financial year ended 30 June 2009

Continuing operations	**Note**	**2009** **$**	**2008** **$**
Revenue – interest income	5	**8,070**	**10,238**
Exploration expenses written off	13	(51,931)	(2,201)
Office and administration expenses		(9,115)	(7,884)
Professional fees		(46,322)	(29,199)
Directors fees		(7,695)	(11,250)
Depreciation expense		(2,479)	(1,151)
Finance costs		-	-
Investigative legal costs written off		-	(19,813)
Other expenses		(15,851)	(867)
Losses before tax	6	(125,323)	(62,127)
Income tax (expense)/benefit		-	-
Loss for the year attributable to members		(125,323)	(62,127)

This statement should be read in conjunction with the Notes to the Financial Statements

Balance sheet
As at 30 June 2009

	Note	2009	2008
		$	$
Assets			
Current Assets			
Cash and cash equivalents	10	91,826	253,464
Other receivables	11	29,338	14,768
Total Current Assets		121,164	268,232
Non-Current Assets			
Plant and equipment	12	6,803	9,122
Exploration and evaluation expenditure	13	92,144	73,825
Total Non-Current Assets		98,947	82,947
Total Assets		220,111	351,179
Current Liabilities			
Trade and other payables	15	17,205	22,950
Total Current Liabilities		17,205	22,950
Total Liabilities		17,205	22,950
Net Assets		202,906	328,229
Equity			
Issued Capital	18	390,356	390,356
Accumulated Losses		(187,450)	(62,127)
Total Equity		202,906	328,229

This statement should be read in conjunction with the Notes to the Financial Statements

Statement of changes in equity
For the financial year ended 30 June 2009

	Note	Fully paid ordinary shares	Accumulated Losses	Total
		$	$	$
Balance 1 July 2007		1,000	-	1,000
Issue of shares during the year	18	392,999	-	392,999
Share issue costs	18	(3,643)	-	(3,643)
Loss for the period		-	(62,127)	(62,127)
Balance 30 June 2008		390,356	(62,127)	328,229
Balance 1 July 2008		390,356	(62,127)	328,229
Loss for the period		-	(125,323)	(125,323)
Balance 30 June 2009		390,356	(187,450)	202,906

This statement should be read in conjunction with the Notes to the Financial Statements

Cash flows statement
For the financial year ended 30 June 2009

	Note	2009	2008
		$	$
Cash flows from operating activities			
Payments to suppliers and directors		(154,851)	(61,529)
Net Cash (used in)/provided by operating activities	20	(154,851)	(61,529)
Cash flows from investing activities			
Interest received		9,326	8,735
Payments for exploration expenditure		(15,953)	(73,825)
Payments for plant and equipment		(160)	(10,273)
Net Cash (used in)/provided by investing activities		(6,787)	(75,363)
Cash flows from financing activities			
Proceeds from the issue of share capital		-	392,999
Payments for share issue costs		-	(3,643)
Net Cash provided by /(used in) financing activities		-	389,356
Net (decrease)/increase in cash and cash equivalents		(161,638)	252,464
Cash and cash equivalents at the beginning of the financial year		253,464	1,000
Cash and cash equivalents at the end of the financial year	10	91,826	253,464

This statement should be read in conjunction with the Notes to the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

1. Nature of operations

Red Gum Resources Limited's ("the Company") principal activity was global mineral exploration.

The Company is focusing on the central Peruvian Polymetallic Belt and the Northern Territory because of the presence of (in Peru), and the potential for the discovery of large base metal (Cu-Pb-Zn-Ag) and copper-gold deposits is exceptional. Its exploration portfolio will be actively managed and rationalised as part of the corporate transaction process, ensuring only the best projects are retained and explored.

2. Basis of preparation

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

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards ("IFRS"). Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

There are new accounting standards and IFRIC interpretations that have been published that are not mandatory for current reporting periods. The Company's assessment of the impact of these new standards and interpretations is that there would be no material impact on the historical or reported pro-forma financial information.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial report covers the Company, Red Gum Resources Limited. Red Gum Resources Limited is a public company, incorporated and domiciled in Australia. The registered office is 5A Mulbring Street, Mosman, NSW 2088.

The Company was incorporated on 11 May 2006.

The financial statements for the year ended 30 June 2009 (including the comparatives) were approved by the board of directors on 2nd October 2009.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classed of property, plant and equipment.

The accounting policies have been consistently applied, unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

3. Critical accounting judgment and key sources of estimated uncertainty

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual figures may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods. Refer below or elsewhere in the financial statements for a discussion of critical judgements in applying the entity's accounting policies, and key sources of estimation uncertainty.

Key sources of uncertainty

The useful lives of plant and equipment are described in note 4(j); the Company reviews the estimated useful lives at the end of each annual reporting period. Note 4(h) also discusses exploration, evaluation and development expenditure reviews.

4. Summary of accounting policies

The significant accounting policies that have been used in the preparation of these general purpose financial statements are summarised below.

a. Presentation

The financial statement incorporated the assets and liabilities of Red Gum Resources Limited ("Company") as at 30 June 2009 and the result for the year then ended. Red Gum Resources Limited is referred to in this financial report as the Company or economic entity.

b. Revenue

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

Revenue from the sale of minerals is recognised on delivery to the customer.

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

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

c. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

d. Income tax

The income tax expense/(benefit) for the year comprises current income tax expense/(benefit) and deferred tax expense/(benefit).

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

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

NOTES TO THE FINANCIAL STATEMENTS

d. Income tax (continued)

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

The Company adopts the liability method of tax – effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any non-assessable or disallowed items. Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity. Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

e. Trade receivables

Trade receivables and other receivables are carried at amounts due less any provision for specific doubtful debts.

f. Financial instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement

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

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

NOTES TO THE FINANCIAL STATEMENTS

f. Financial instruments (continued)

ii. *Loans and receivables*

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

iii. *Financial Liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair value

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

Impairment

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

g. Impairment of assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments at the time value of money and the risks specific to the asset for which the estimates of future cashflows have not been adjusted. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

h. Exploration, evaluation and development expenditure

Exploration and evaluation

Exploration, evaluation and development expenditure incurred is accumulated in respect of each current identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Exploration and evaluation assets are assessed for impairment when fact and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset is estimated to determine the extend of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

NOTES TO THE FINANCIAL STATEMENTS

h. Exploration, evaluation and development expenditure (continued)

Provision for restoration and rehabilitation
Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis. Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

i. Plant and equipment

Each class of property, plant and equipment are carried at cost less, where applicable, any accumulated depreciation and impairment losses. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets.

j. Depreciation

Items of plant and equipment are depreciated over their estimated useful lives ranging from 3 to 40 years to write off the net cost of each asset during its expected useful life. The straight line method of depreciation is used. Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use. An asset carrying amount is written down immediately to its recoverable amount, if the asset carrying amount is greater than its estimated recoverable amount, gain and losses on disposals are determined by comparing proceeds with the carrying amount. These gain and losses are included in the income statements.

k. Leased plant and equipment

Leases of plant and equipment are classified as operating leases where the lessor retains substantially all of the risks and benefits of ownership. Minimum lease payments are charged against profits over the accounting periods covered by the lease terms except where an alternative basis would be more representative of the pattern of benefits to be derived from the leased property.

l. Accounts payable

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company.

m. Financial assets and liabilities

The net market values of the Company's financial assets and liabilities approximate their carrying amounts.

n. Cash

Cash and cash equivalents included cash on hand, deposits held at call with banks, other short term highly liquid investment with original maturities of three months or less, and bank overdraft.

o. Comparative figures

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

NOTES TO THE FINANCIAL STATEMENTS

p. Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated in the Balance Sheet inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

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

q. Foreign currency translation

Foreign currency transactions are translated into the functional currency of the Company, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary balance sheet items at year-end exchange rates are recognised in the income statement under "other income" or "other expenses".

In the Company's financial statements, assets and liabilities have been translated into Australian Dollars at the closing rate at the balance sheet date. Income and expenses have been translated into the Company's presentation currency at the average rates over the reporting period. Any differences arising from this procedure have been charged/credited to the currency translation reserve in equity.

r. New accounting standards and interpretations

In the current year, the Company have adopted all of the new and revised Standards and Interpretations issued by the Accounting Standards Board (“AASB”) that are relevant to their operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations have not resulted in any significant change to the Company’s accounting policies.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Company’s assessment of the impact of these new standards and interpretation is considered to be not material and they have not been adopted at 30 June 2009. Standards that are available for early adoption at 30 June 2009, but have not been applied in preparing this financial report.

- Revised AASB 3 Business Combinations mandatory for 30 June 2010 Annual Financial Report.
- AASB 8 Operating Segments mandatory for 30 June 2010 Annual Financial Report.
- AASB 101 presentation of Financial Statements mandatory for 30 June 2010 Annual Financial Report.
- AASB 123 Borrowing Costs mandatory for 30 June 2010 Annual Financial Report
- AASB 127 Consolidation and Separate Financial Statements mandatory for 30 June 2010 Annual Financial Report.
- AASB 2008-1 amendment to Australian Accounting Standard -Share-based Payment mandatory for 30 June 2010 Annual Financial Report.
- AASB 2008-2 amendment to Australian Accounting Standard -Puttable Financial Instruments and Obligations Arising on Liquidation mandatory for 30 June 2010 Annual Financial Report.

NOTES TO THE FINANCIAL STATEMENTS

5. Revenue

Continuing operations:	2009 $	2008 $
Interest revenue –bank	8,070	10,238

6. Expenses

Loss on continuing operations included:	2009 $	2008 $
Depreciation	2,479	1,151
Exploration expenses written off (Note 13)	51,931	2,201
Directors fees –total (Note 23)	25,650	37,500
Directors fees –reallocated to tenements (Note 13)	(17,955)	(26,250)
Directors fees –income statement	7,695	11,250

7. Income tax expense

	2009 $	2008 $
a. The components of tax expense comprise:		
Current tax	-	-
b. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
Profit/(loss) before tax from continuing operations	(125,323)	(62,127)
Prima facie tax payable on profit/(loss) from ordinary activities before income tax at 30% 2008:30%)	(37,597)	(18,638)
Increase/(decrease) in income tax expense due to:		
Non-allowable capital items	-	-
Tax losses carried forward	37,597	18,638
Income tax expense/(benefit) on pre-tax net profit/(loss)	-	-
The applicable weighted average effective tax rates are as follows:	-%	-%

8. Key management personnel compensation

a. Names and positions held of Company's key management personnel in office at any time during the financial year are:

Key management person positions

Dr Raymond D Shaw	Chairman – Non-Executive Director (appointed 11 May 2006)
Mr Norman J Zillman	Director –Non Executive (appointed 11 May 2006)
Mr Torey Marshall	Managing Director –Executive (appointed 16 June 2007)

NOTES TO THE FINANCIAL STATEMENTS

8. Key management personnel compensation (continued)

b. Compensation practices

Non-Executive remuneration

During the year ended 30 June 2009 non-executive remuneration amounted to $nil (2008: $nil).

Future fees and payments to non-executive directors will reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Board will ensure that all directors' fees and payments are appropriate and in line with the market.

Managing Director's remuneration

Given the current size and nature of the Company, the Board does not consider the need for a full time Managing Director, as a result the Managing Director is remunerated on an hourly basis (refer to Note 23 for further details). During the year ended 30 June 2009 Managing Directors fees amounted to $25,650 (2008: $37,500).

9. Auditors remuneration

	2009 $	2008 $
Remuneration for the audit of the financial report	7,000	1,750

10. Cash and cash equivalents

	2009 $	2008 $
Cash at bank	91,826	253,464

For the purposes of the cash flow statement, cash and cash equivalents include cash in hand and in banks, net of outstanding overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet shown above.

11. Other receivables

	2009 $	2008 $
Environmental bond	18,400	-
Goods and service tax receivable	10,691	13,265
Interest debtor	247	1,503
	29,338	14,768

During the year ended 30 June 2009 an environmental bond of $18,400 (2008: $nil) was lodged with Department of Primary Industry, Fisheries and Mines (NT) in respect of exploration program in EL 2513, EL 25145, EL 25144 & EL 26433.

Other receivables arise from transaction outside the usual operating activities of the Company and are unsecured, interest free and repayable on demand.

There are no balances that are past due and impaired. It is expected these balances will be received when demanded.

NOTES TO THE FINANCIAL STATEMENTS

12. Plant and equipment

	Plant & Equipment 2009 $	2008 $
At cost	10,433	10,273
Accumulated depreciation	(3,630)	(1,151)
Accumulated impairment	-	-
Total plant & equipment	6,803	9,122

Movement in carrying amounts

	2009	2008
Gross carrying amount at the beginning of the year	9,122	-
Additions	160	10,273
Disposals	-	-
Depreciation expense	(2,479)	(1,151)
Gross carrying amount at the end of the year	6,803	9,122

The following useful lives are used in the calculation of depreciation:
- Plant & equipment 3 to 40 years

13. Exploration and evaluation expenditure

	2009 $	2008 $
Gross carrying amount at the beginning of the year	73,825	-
Amounts capitalised during the year	70,250	76,026
Amounts written off during the year	(51,931)	(2,201)
Gross carrying amount at the end of the year	92,144	73,825

During the year ended 30 June 2009 $51,931 (2008: $2,201) of Tenement Costs were expensed in the Income Statement. The majority of these expensed costs related EL 25144 and EL 25145 where $19,709 and $18,799 of costs were expensed respectively. The other expensed Tenement Costs related to new ventures that were initially capitalised and were subsequently expensed.

The directors have reviewed the Capitalised Tenement costs and do not consider that any impairment is necessary for the year ended 30 June 2009 (2008: $nil).

The following mineral tenements are currently held by the Company:

Tenement description	Tenement code	Location	Area (approx)	Interest held
Acacia Tenement(1)	EL 25213	Amadeus basin NT	268 km^2	100%
Eucalyptus Project(1)	EL 25144	Amadeus basin NT	1,379 km^2	100%
	EL 25145	Amadeus basin NT	1,278 km^2	100%
Melaleuca Project(1) (4)	EL 26433	Amadeus basin NT	627 km^2	100%
Mallee Project(2) (4)	ELA 26365	Amadeus basin NT	1,565 km^2	100%
	ELA 26366	Amadeus basin NT	1,554 km^2	100%
	ELA 26385	Amadeus basin NT	1,262 km^2	100%
Cerro Huancash(3)	n/a	Peru	9 km^2	100%
Chongos A(3)	n/a	Peru	10 km^2	100%
Chongos B(3)	n/a	Peru	9 km^2	100%
Chongos C(3)	n/a	Peru	9 km^2	100%

NOTES TO THE FINANCIAL STATEMENTS

13. Exploration and evaluation expenditure (continued)

Capitalised Expenditure:	**2009** **$**	**2008** **$**
Acacia Tenement EL 25213	7,838	3,766
Eucalyptus Project EL 25144	-	7,276
Eucalyptus Project EL 25145	-	6,956
Melaleuca Project EL 26433	8,940	4,756
Mallee Project ELA 26365	2,453	2,345
Mallee Project ELA 26366	2,345	2,345
Mallee Project ELA 26385	2,345	2,345
Cerro Huancash	12,531	8,628
Chongos A	19,604	8,628
Chongos B	19,009	8,629
Chongos C	17,079	8,629
New Ventures(5)	-	9,522
	92,144	73,825

Notes: -

1. The transfers of EL 25213, 25144, 25145 & 26433 from Polymetallic Exploration Pty Ltd to the Company were completed pursuant to a Deed of Assignment (Deed) during the prior year. The Company has assumed all obligations in respect of the licences from the date of the Deed. The Board regularly review licences and may relinquish Eucalyptus Project exploration licences 25144 and 25145 in the new financial year.
2. The Company acquired ELA's 26365, 26366 & 26385 from Dr. Ray Shaw, a related party during the prior year.
3. The Company entered into a Letter of Intent (LOI) with Messrs Miguel Cardozo (Cardozo) and Paul Pearson (Pearson). Cardozo and Pearson control the entity (Holding Entity) which currently holds the Peruvian tenements. The parties have agreed under the LOI that the Company and Cardozo and Pearson will enter into an agreement whereby the Company will acquire all of the shares in the Holding Entity. The Company has completed a due diligence report and is finalising a share sale agreement and management agreement to enable exploration to take place on these properties in Peru.
4. All ELA's are potentially subject to Native Title (NT) claims or Aboriginal Land Rights Act (ALRA). As part of the procedures the Company must meet a number of precautionary negotiation planning & proposal steps, and present those on the land to the traditional owners. The entity that has been created by the federal government to act on behalf of the traditional owners in the Company's areas is the Central Lands Council (CLC). This entity has the sole ability to progress negotiations with and on behalf of the Company to grant land access for exploration. The Mallee ELA's will need significant negotiation to allow granting in 2009 as they are governed by ALRA; a much more difficult legislation to negotiate under. Existing EL's are in the process of having land access rights granted in a longer term sense, but under the NT act the Company is authorised (within certain boundaries) to undertaken non-invasive exploration activities in the licences. This amounts to the ability to access the land for geological reconnaissance, soil & rock chip geochemical sampling, geophysics and other appropriate surveys. The Company is working with the CLC to see a blanket land access agreement granted as soon as possible.
5. New Ventures- The Company has examined a number of new ventures opportunities during the year and prior year including the divestments of entire companies, individual mineral assets and corporate discussions for M&A activity. In the prior year, some of these discussions are ongoing as the Company has a stated 'inorganic' growth engine requiring continual evaluation of corporate opportunities. The Company's success in acquiring suitable, mature and high value projects, will depend on its ability to source additional significant funding. The Company has written off the previously capitalised expenditure as no New Venture projects has been adopted by the Company. All other new venture expenditure has been written off to the Income Statement as incurred.

14. Deferred tax assets

There are no recognised deferred tax assets at the 30 June 2009 (2008: $nil).

NOTES TO THE FINANCIAL STATEMENTS

15. Current liabilities –trade and other payables

	2009 $	2008 $
Trade payables	2,602	16,450
Accruals	14,603	6,500
	17,205	22,950

16. Tax

	2009 $	2008 $
Liabilities		
CURRENT		
Income Tax	-	-
Assets		
NON-CURRENT		
Deferred tax asset	-	-

Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(d) occur:

— tax losses: operating losses $37,597 (2008: $18,638)

17. Provisions

The Company has no provisions at 30 June 2009 (2008: $nil). No employees are eligible for long-term employee benefits at 30 June 2009 (2008: $nil).

18. Issued capital

	2009 $	2008 $
31,650,000 (2008: 31,650,000) fully paid ordinary shares	390,356	390,356
Fully paid ordinary shares		
At the beginning of reporting period	390,356	1,000
Shares issued during the year	-	-
Shares issued during the prior year		
- Founder shares issued in December 2007	-	27,999
- 1st Tier seed capital shares issued in January 2008	-	365,000
	390,356	393,999
Less: Share issue costs	-	(3,643)
At the end reporting period	390,356	390,356

NOTES TO THE FINANCIAL STATEMENTS

18. Issued capital (continued)

	2009 No.	2008 No.
Fully paid ordinary shares		
At the beginning of reporting period	31,650,000	1,000
Shares issued during the year	-	-
Shares issued during the prior year:		
-Founder shares	-	27,999,000
-1st Tier seed capital shares	-	3,650,000
At the end reporting period	31,650,000	31,650,000

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Capital Management

The management's objectives when managing capital are to ensure that the Company can fund its operations and continue as a going concern and to provide shareholders with adequate returns

The management monitors capital on the basis of debt to equity ratio. This ratio is calculated as net liabilities divided by equity. Net liabilities is "Total liabilities" as shown on the consolidated balance sheet less cash and cash equivalent and equity is "equity" as shown on the consolidated balance sheet.

There are no externally imposed capital requirements

There have been no changes in the strategy adopted by management to control the capital of the Company since the prior year, which is to maintain the debt to equity ratio at not more than 100%. The debt-equity ratios as at 30 June 2009 and 30 June 2008 are as follows:

	2009 $	2008 $
Total liabilities	17,205	22,950
Less: Cash and cash equivalent	(91,826)	(253,464)
Net liabilities/(assets)	(74,621)	(230,514)
Total equity	202,906	328,229
Debt to equity ratio	(37%)	(70%)

The increase in debt – equity ratio during 2009 is primarily due to the operating loss and exploration expenditure compared to the prior year when capital raising injected substantive cash into the Company.

NOTES TO THE FINANCIAL STATEMENTS

19. Segmental reporting

The Company currently operates in one business segment, being the business of mineral exploration and in two different countries, being Australia and Peru.

Geographical Segments	**Australia $**	**Peru $**	**Total $**
30 June 2009			
REVENUE			
Total revenue -external interest received	8,070	-	8,070
RESULT			
Segment result	(125,323)	-	(125,323)
Finance costs	-	-	-
Loss before income tax	(125,323)	-	(125,323)
Income tax expense	-	-	-
Loss after income tax	(125,323)	-	(125,323)
ASSETS			
Segment assets	151,888	68,223	220,111
LIABILITIES			
Segment liabilities	17,205	-	17,205
OTHER			
Depreciation and amortisation of segment assets	2,479	-	2,479
30 June 2008			
REVENUE			
Total revenue -external interest received	10,238	-	10,238
RESULT			
Segment result	(62,127)	-	(62,127)
Finance costs	-	-	-
Profit/(loss) before income tax	(62,127)	-	(62,127)
Income tax expense	-	-	-
Profit after income tax	(62,127)	-	(62,127)
ASSETS			
Segment assets	316,665	34,514	351,179
LIABILITIES			
Segment liabilities	8,133	14,817	22,950
OTHER			
Depreciation and amortisation of segment assets	1,151	-	1,151

NOTES TO THE FINANCIAL STATEMENTS

19. Segmental reporting (continued)

Accounting Policies

Segment revenues and expenses are those directly attributable to the segments. Segment assets include all assets used by a segment and consist principally of cash, receivables, exploration and evaluation expenditure and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

Intersegment Transfers

Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the Company at an arm's length. These transfers are eliminated on consolidation. At 30 June 2009 and 30 June 2008 there were no such intersegment transfers.

20. Cash flow information

	2009 $	2008 $
Continuing operations		
Reconciliation of loss for the period to net cash flows from operating activities		
Loss from ordinary activities after income tax	(125,323)	(62,127)
Non-cash flows in profit/(loss) from ordinary activities		
-Depreciation	2,479	1,151
- Interest received and receivable	(8,070)	(10,238)
Changes in assets and liabilities		
-(Increase)/decrease in other receivables	(15,826)	(13,265)
-Increase/(decrease) in trade creditors and accruals	(8,111)	22,950
Net cash flow from operating activities	(154,851)	(61,529)

21. Exploration expenditure commitments

	Company	
	2009 $	2008 $
No longer than 1 year	83,000	310,000
Longer than 1 year and not longer than 5 years	633,000	794,000
Longer than 5 years	2,387,000	3,005,000
	3,103,000	4,109,000

The exploration expenditure commitments relate to the economic entity's share of exploration and evaluation expenditure required to comply with the licence terms issued by the relevant regulatory body.

These obligations may be subject to re-negotiation, may be farmed out or may be relinquished and have not been provided for in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

21. Exploration expenditure commitments (continued)

Due to the Global Financial Crisis (GFC), the Company has not met its expenditure covenants on its Northern Territory Exploration licences (EL 25144, 25145, 25213 & 26433). It is likely that the Company may have to relinquish some of these tenements as a result. At the 30 June 2009 the Company have written off expenditure relating to EL 25144 and EL25145 as the licences may be relinquished and as a result the commitments relating to these licences have not been included in the commitments at 30 June 2009 (2008: $944,000). The Company will retain all interests in the 'Mallee' Project area in the NT and all interests acquired in Peru.

22. Other financial liabilities and commitments

There are no other financial liabilities, leasing commitments, capital commitments or provision at the 30 June 2009 (2008: $nil). Refer to note 21 for detail of exploration expenditure commitment.

23. Related party transactions

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

Transactions and balances with related parties:

a. **Other Related Parties**	**2009 $**	**2008 $**
Transaction (gross of GST)		
Transactions and balances with Vibrante Solutions Pty Ltd of which Director, Mr Marshall is a director and shareholder		
Directors fees (Note 6)	25,650	37,500
Reimbursement of expenses paid by Vibrante Solutions Pty Ltd on behalf of Red Gum Resources Limited:		
-Administration and other expenses	19,276	9,192
-Plant and equipment	-	742
-Capitalised exploration expenditure	818	1,947
	45,744	49,381
Balances		
Balance payable to Vibrante Solutions Pty Ltd	1,853	-

Other transactions
During the prior year ended 30 June 2009 the Company acquired ELA's 26365, 26366 & 26385 from Chairman, Dr. Ray Shaw for nil consideration.

The directors were reimbursed for expenses incurred.

24. Financial risk management

a. **Financial Risk Management Policies**

The Company's financial instruments consist mainly of deposits with banks, notes receivable, accounts receivable and payable.

The main purpose of non-derivative financial instruments is to raise finance for Company operations.

NOTES TO THE FINANCIAL STATEMENTS

24. Financial risk management (continued)

i. Treasury Risk Management

The Board meets on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The Board's overall risk management strategy seeks to assist the Company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Risk management policies are approved and reviewed by the Board on a regular basis. These include the credit risk policies and future cash flow requirements.

ii. Financial Risk Exposures and Management

The main risks the Company is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk.

Interest rate risk

The Company's exposure to interest rate risk relates principally to its short-term deposits placed with financial institutions. For further details on interest rate risk refer to Note 24(b)(i) & (iii).

Foreign currency risk

The Company is exposed to fluctuations in foreign currencies arising from overseas exploration licences, resulting in operations including income and expenses, assets and liabilities being in currencies other than the Company's measurement currency. There is currency risks associated with the Company's budgeting and forecasting process. Refer to Note 24(b)(iii) for further details.

Liquidity risk

The Company manages liquidity risk by monitoring forecast cash flows and ensuring that the Company maintains adequate level of liquidity for operations to meet its commitments.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The Company performs ongoing credit evaluation of its customers' financial condition and requires no collateral from its customers. The allowance for doubtful debts is based upon a review of the expected collectability of all trade and other receivables.

There are no other material amounts of collateral held as security at 30 June 2009.

Credit risk is managed on a Company basis and reviewed regularly by the Board. It arises from exposures to customers as well as through deposits with financial institutions.

The Board monitors credit risk on a regular basis.

Price risk

The Company's financial instrument is not exposed to price risk.

NOTES TO THE FINANCIAL STATEMENTS

24. Financial risk management (continued)

b. **Financial Instruments**

i. **Financial instrument composition and maturity analysis:**

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments.

	Weighted Average Effective Interest Rate		Floating Interest Rate		Non Interest Bearing		Total	
	2009 %	2008 %	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $
Financial Assets:								
Cash and cash equivalents	4.7%	8.08%	91,826	253,464	-	-	91,826	253,464
Receivables	-	-	-	-	29,338	14,768	29,338	14,768
Total Financial Assets			91,826	253,464	29,338	14,768	121,164	268,232
Financial Liabilities:								
Trade and other payables	-	-	-	-	17,205	22,950	17,205	22,950
Total Financial Liabilities			-	-	17,205	22,950	17,205	22,950
						17,205		
Net Financial Assets							103,959	245,282

ii. **Net Fair Values**

The carrying value of financial assets and financial liabilities of the Company are assumed to approximate their fair value due to their short term nature.

iii. **Sensitivity Analysis**

Interest Rate Risk, Foreign Currency Risk and Price Risk

The Company has performed sensitivity analysis relating to its financial instrument's exposure to interest rate risk and foreign currency risk at balance date. The Company's financial instruments are not subject to price risk This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

NOTES TO THE FINANCIAL STATEMENTS

24. Financial risk management (continued)

Interest Rate Sensitivity Analysis

At 30 June 2009, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2009 $	2008 $
Change in profit		
— Increase in interest rate by 2%	1,837	5.069
— Decrease in interest rate by 2%	(1,837)	(5,069)
Change in Equity		
— Increase in interest rate by 2%	1,837	5.069
— Decrease in interest rate by 2%	(1,837)	(5,069)

Foreign Currency Risk Sensitivity Analysis

At 30 June 2009 and 30 June 2008, there is no material effect on profit and equity as a result of changes in the value of the Australian Dollar ("AUD") to the Peruvian Nuevo Sol or United States of America Dollar.

The above interest rate and foreign exchange rate risk sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

25. Company details

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

Red Gum Resources Limited
5A Mulbring Street
Mosman NSW 2088

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. the financial statements and notes, as set out on pages 8 to 29 are in accordance with the *Corporations Act 2001* and:

    a. comply with Accounting Standards and the Corporations Regulations 2001; and

    b. give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the Company;

2. the Chief Executive Officer and Chief Finance Officer have each declared that:

    a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;

    b. the financial statements and notes for the financial year comply with the Accounting Standards; and

    c. the financial statements and notes for the financial year give a true and fair view;

3. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Dr Raymond D Shaw
Non-Executive Director and Chairman

Sydney, 2nd October 2009

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North Parramatta NSW 1750

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RED GUM RESOURCES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Red Gum Resources Limited (the company) comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accompanying policies, other explanatory notes and the directors' declaration of the company.

Director's Responsibility for the Financial Report

The Directors of Red Gum Resources Limited are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report comprising the financial statement and notes, complies with IFRS.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Red Gum Resources Limited on 30 September 2009 would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RED GUM RESOURCES LIMITED (Cont'd)

Auditor's Opinion
In our opinion:

(a) the financial report of Red Gum Resources Limited is in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the company's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

KS Black & Co
Chartered Accountants

Stuart H. Cameron

Stuart H. Cameron
Partner

Sydney, 2 October 2009